# Aging boomers drive moisturizer market

**Chains are trying to figure out what is the easiest way to present skin care to shoppers: Should franchised lines be on the wall next with the rest of their brand family or should they be in a generic skin care set?**

It is easy to understand why facial moisturizers are one of the fastest growing categories in cosmetics and toiletries.

America's baby boomers have matured to the point where they worry about dry and sun-damaged skin. And they want to project a healthy body and a youthful appearance.

Women are also better informed about grooming, and no longer try to conceal dry or flawed skin under makeup.

Manufacturers are also stimulating the category by launching new moisturizing products and advertising them aggressively.

Manufacturers are also helping women move away from simplistic products that promise to do everything for the skin to sophisticated regimens or combinations of specialty products that can be used to cleanse, tone, and moisturize not only the whole face, but also specific problem areas like the eyes or neck.

Packaging for mass market lines like Plenitude, Neutrogena, Almay, Clarion and Olay, to name a few, has become much more sophisticated. Many mass lines are now as attractively packaged as the more expensive department store lines.

Shelf displays like those used by Neutrogena and Plenitude also help organize the category for women, making it much simpler to find and identify the cleansing and moisturizing products best for the individual shopper.

Television and print ads also help explain the category as well as individual products, and Clarion shoppers can use in-store computers to help identify their specific skin care needs.

**64-percent usage**

With this as background, it's no wonder that Gallup discovered that 64 percent of all American women use some type of facial moisturizer today. Breaking it down further, 30 percent use such a product more than once a day, and 55 percent of all women say they use a moisturizer on their face at least once a day.

Typically, these aren't women trying to cure problems. These are usually women who are trying to prevent premature aging or wrinkling or dry skin, rather than simply reacting after the problem develops.

Most of the fashion brands like Olay and Plenitude don't even take a therapeutic marketing position. Their advertising and packing promise to enhance the natural beauty of the skin rather than just treat the skin.

Olay, as the first mass market moisturizer, has been in the public's eye the longest, and its advertising has been so successful in positioning the products as beauty enhancers that more than nine out of every 10 women recognize the Olay name.

So it's not surprising that Olay was mentioned most often as a preferred brand; 19 percent of the women who used a moisturizer did so.

American women are also still more comfortable using a single product on their face rather than a regimen of products. Almost three-fourths (74 percent) of all skin moisturizer users told Gallup that they use just one product. However, 24 percent of all moisturizer uses do adopt a regimen approach, and these users say they have at least two or three products they use regularly to treat the skin.

Price is something of a factor when it comes to buying moisturizers, as 25 percent of all women who buy moisturizers said they usually spend $4.99 or less for the brands they prefer.

However, a large number of users, 43 percent, said they normally spend between $5 and $11.99 for a moisturizer, and 19 percent said they spend between $12 and $20 plus for facial moisturizers.

**Mean expenditure: $9.04**

Although the rest of the respondents said they didn't know how much they spent, the mean expenditure for a moisturizer was $9.04, which suggests that women expect to pay more for a high quality skin care product.

It also explains why dollar sales for skin care products were up an average 15 percent in drug stores last year, according to Nielsen Marketing Research, and why food and mass merchandise chains are also getting double-digit increases in this category, up 14 percent and 18 percent, respectively, last year in dollars.

Even though food chains and mass merchandisers are obviously going after the skin care shopper with expanded space, discounted prices, and expanded product assortments, many buyers for chain drug stores think that skin care products give drug stores a unique opportunity for courting quality-minded department store shoppers.

Many also feel that a strong skin care program can also help discourage the defection of shoppers into food and mass merchandise stores, primarily because these stores may not be as able as drug stores are to provide service in this important category. They may also find it harder to carry a broad range of the higher quality lines.

One buyer said that when drug stores aggressively advertise skin care and properly merchandise and display a broad assortment of brands, including trusted brands, they have a better chance to attract the higher-income shopper.

**Where women most often buy facial moisturizers**

| | |
|---|---|
| Regular drug/discount drug stores | 31% |
| Department stores | 22 |
| Mass merchandise stores | 14 |
| Door-to-door salesperson | 12 |
| Food store | 8 |
| Mail order | 3 |
| Specialty store | 2 |

Based on use in past four weeks
Source: Gallup Organization

**Why women shop drug stores for facial moisturizers**

| | |
|---|---|
| Convenient to home/ office | 42% |
| Good prices | 37 |
| Good selection | 11 |
| Easy to shop | 3 |
| Carries top brands | 2 |

Based on women who shop drug stores for moisturizers
Source: Gallup Organization

**% of women who use facial moisturizers**

| | |
|---|---|
| Users | 64% |
| Non-users | 36% |

Based on use in past four weeks
Source: Gallup Organization

**Where women expect to find facial moisturizers**

| | |
|---|---|
| In the cosmetics department | 75% |
| In the toiletries department | 19 |
| No opinion | 6 |

Based on use in past four weeks
Source: Gallup Organization

# Most women opt for specialized settings when buying skin care

Most women will pass up the convenience of one-stop shopping in a food store to go to a more specialized drug or department store to buy moisturizing products for their skin.

Toiletry and cosmetics buyers said this isn't surprising, because women worry about the products they put on their face. They either want a brand they know they can trust like Almay or Plenitude which are easier to find in drug stores, or they want a department store brand like Clinique, Lancôme, or Estée Lauder.

Many women also like to buy facial moisturizers from door-to-door salespersons from Avon and Mary Kay.

But the most interesting part of the Gallup moisturizer survey is how much opportunity there still is for drug stores to develop this category.

Although half (49 percent) of American women currently shop drug stores for facial moisturizers, the other half, 51 percent, are buying moisturizers either in department stores, food stores, mass merchandise stores, specialty stores, mail order, or from door-to-door salespeople.

If drug stores can generate growth of 15 percent and 20 percent a year selling to only half the universe of users, what could they generate if they could attract an even broader base of shoppers?

Gallup also provided insight into why some women choose to shop drug stores for moisturizers. The women who shop drug stores for moisturizers are interested mainly in two things: convenience and price.

Those who don't shop drug stores for moisturizers said they could be persuaded to shop there if drug stores carried "better brands, priced more competitively, [and] offered more variety and advertised the category more."

When women are in a drug store, they also think they should be buying their moisturizers in the cosmetics department: three-fourths of the respondents expected to find facial moisturizers there. Only 19 percent said they expected to find facial moisturizers in toiletries.

Every drug chain that's currently working on a special skin care set for cosmetics seems to be right in line with what women expect and want.

COSMETICS
FRAGR

Drug chains are trying to attract a broader base of shoppers by stocking more upscale skin care, cosmetic and fragrance lines, often presented in showcase fixtures.

### Regimen vs. one-product users

| | |
|---|---|
| Use a regimen | 24% |
| Use one product | 74 |

Based on use in past four weeks
Source: Gallup Organization

### What women spend on facial moisturizers

| | |
|---|---|
| $3.99 or less | 16% |
| $4.00 to $4.99 | 9 |
| $5.00 to $5.99 | 12 |
| $6.00 to $6.99 | 9 |
| $7.00 to $9.99 | 14 |
| $10.00 to $11.99 | 8 |
| $12.00 to $14.99 | 7 |
| $15.00 to $19.99 | 3 |
| $20.00 or more | 9 |
| Mean | $9.04 |

Based on use in past four weeks
Source: Gallup Organization

### What drug stores should do to attract users of facial moisturizers

| | |
|---|---|
| Carry better brands | 13% |
| Price more competitively | 13 |
| Offer more variety | 8 |
| More colorful displays | 4 |
| Advertise more | 3 |
| Offer more service | 3 |
| Make shopping convenient | 3 |
| Offer free samples | 2 |

Based on use in past four weeks
Source: Gallup Organization

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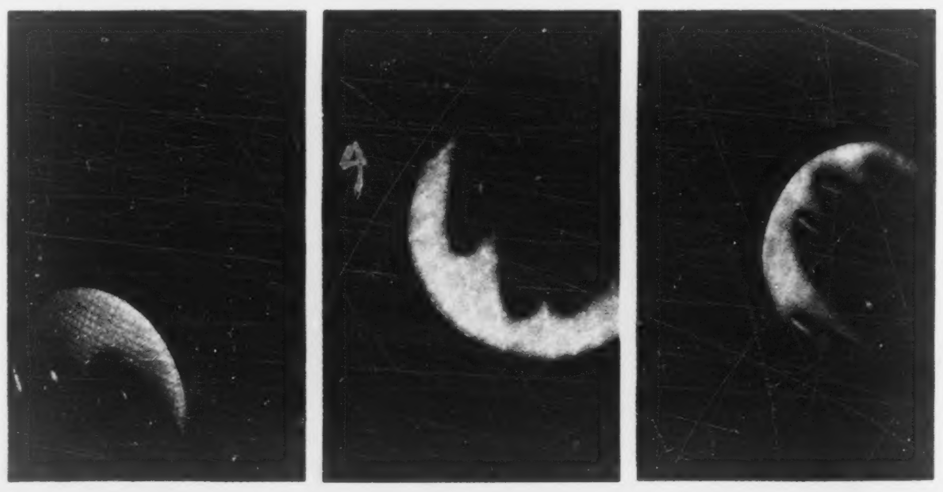

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*Source: Simmons Market Research Bureau, Inc. 1987.

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### Favorite brand of moisturizer

| | |
|---|---|
| Oil of Olay | 19% |
| Avon | 11 |
| Clinique | 9 |
| Mary Kay | 5 |
| Pond's | 5 |
| Lancome | 3 |
| Estee Lauder | 3 |
| Neutrogena | 3 |

Based on use in past four weeks
Source: Gallup Organization

### How often women use facial moisturizers

| | |
|---|---|
| More than once a day | 30% |
| Once a day | 55 |
| 4-6 times a week | 3 |
| 2-3 times a week | 6 |
| About once a week | 3 |
| Less than once a week | 3 |

Based on use in past four weeks
Source: Gallup Organization

# Teenagers dig the broad makeup variety found in chain drug stores

According to a special research project done exclusively for *Drug Store News* by *TEEN* magazine, 74 percent of all teens buy makeup in drug stores—a dominance that reflects the variety of popularly-priced mass brands teens can afford, as well as convenience.

Broad variety was the most frequently cited reason why teens choose to shop drug stores, with price and convenience also important.

The fact that drug stores can stay on top of trends and can be counted on to stock the latest hot products was also cited often, as was the perception that drug stores can be trusted to keep makeup products fresh.

**Service cited**

Service is also important to teens when they feel they need it, but it is not an overwhelming issue.

When *TEEN* asked young readers how they would "makeover" a drug store if they could, the most frequently mentioned improvements were all things that added excitement.

They included: in-store sampling; running sales; improving variety and fashion in the stores; and using more colorful displays.

### How teens would give drug stores a cosmetics makeover

| | |
|---|---|
| Offer samples | 29% |
| Discount prices, run sales | 14 |
| Improve variety, offer latest fashion | 13 |
| Have more colorful displays | 12 |
| Improve service | 11 |
| Carry better brands | 7 |
| Improve lighting | 6 |
| Advertise to teens | 5 |
| Offer makeovers | 4 |

Source: 'TEEN Research

### Why teens buy makeup where they do

| | |
|---|---|
| Variety | 84% |
| Price | 64 |
| Close to work/home | 47 |
| Have latest products | 37 |
| Products are fresh and clean | 27 |
| Knowledgeable sales help | 25 |
| No animal-tested products | 10 |
| Pleasant ambience/environment | 7 |

Multiple mentions
Source: 'TEEN Research

### Where teens shop for makeup

| | |
|---|---|
| Drug stores | 74% |
| Department stores | 43 |
| Discount stores | 28 |
| Grocery stores | 22 |
| Specialty stores | 19 |
| Mail order/catalogs | 15 |

Multiple mentions
Source: 'TEEN Research

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# Gel, mousse use on upswing as women seek manageability

To help achieve and maintain flattering hair styles, American women buy shampoos and conditioners that promise to add sheen or height to hair, or make hair more manageable or softer.

They also buy sprays, gels, spritzes, mousses and other styling aids with eagerness to look their best.

So it's understandable that Gallup has discovered that most American women, 60 percent, do use some kind of styling product on their hair, and that both gel and mousse usage are increasing.

Almost half (49 percent) of all women who use mousse told Gallup interviewers that they were using it more frequently today than they were several years ago; 61 percent of all gel users said they were using gels more frequently.

Also, 38 percent of all women who use a mousse or a gel use these products at least daily. Another 33 percent use them at least two or three times a week.

Hair spray is used even more often: 72 percent of the women who use a spray said they use it at least once a day; and 17 percent use it two or three times a week.

The heaviest styling aid users are 18 to 34 years old.

Black women were less likely to use sprays, mousse and spritzes than white women, but they were heavier users of gels, curl energizers, and sheens. More so than whites, they have problems with processed or overly dry hair; these are all products designed to help women cope with these difficult areas.

Preferred hair sprays are mostly in the value- to medium-priced range: White Rain, Aqua Net and Final Net.

However, Paul Mitchell, a salon brand, was mentioned often, as was Rave and the recently introduced Salon Selectives spray.

### Spray loyalty fragmented

Sprays is a relatively fragmented category, with brand loyalties stretched over a fairly large number of brands, but White Rain and Aqua Net were mentioned most often as favorites. They were chosen by 9 percent and 8 percent of all respondents, respectively.

**Drug stores are preferred outlets for hair styling products**

| | |
|---|---|
| Regular/discount drug stores | 34% |
| Discount department stores | 25 |
| Food stores | 16 |
| Beauty salons | 12 |
| Beauty supply stores | 4 |
| Department stores | 3 |
| Specialty stores | 2 |

Based on use in past four weeks
Source: Gallup Organization

The same fragmentation of loyalties is also evident in the gel and mousse categories as well as in shampoos.

In the mousse category, 8 percent named Clairol's Condition as their favorite, and 7 percent each named Suave and White Rain; then the category became very fragmented.

In gels, 9 percent picked Dep as their favorite; 6 percent each went for Paul Mitchell and Vavoom, both salon brands; and another 5 percent each went for Clairol and L'Oréal's Studio Line gel.

In shampoos, the strongest loyalty was to Nexxus, a salon brand, named by 7 percent. Suave and Pert Plus, which is a shampoo-conditioner in one formula, were chosen by 5 percent of the respondents each.

Buyers weren't surprised by these findings. "Women like to switch and try all different kinds of hair care products," one buyer said. "They want to give their hair a rest from what it's been used to, and they like to try other brands to see if something new will work even better."

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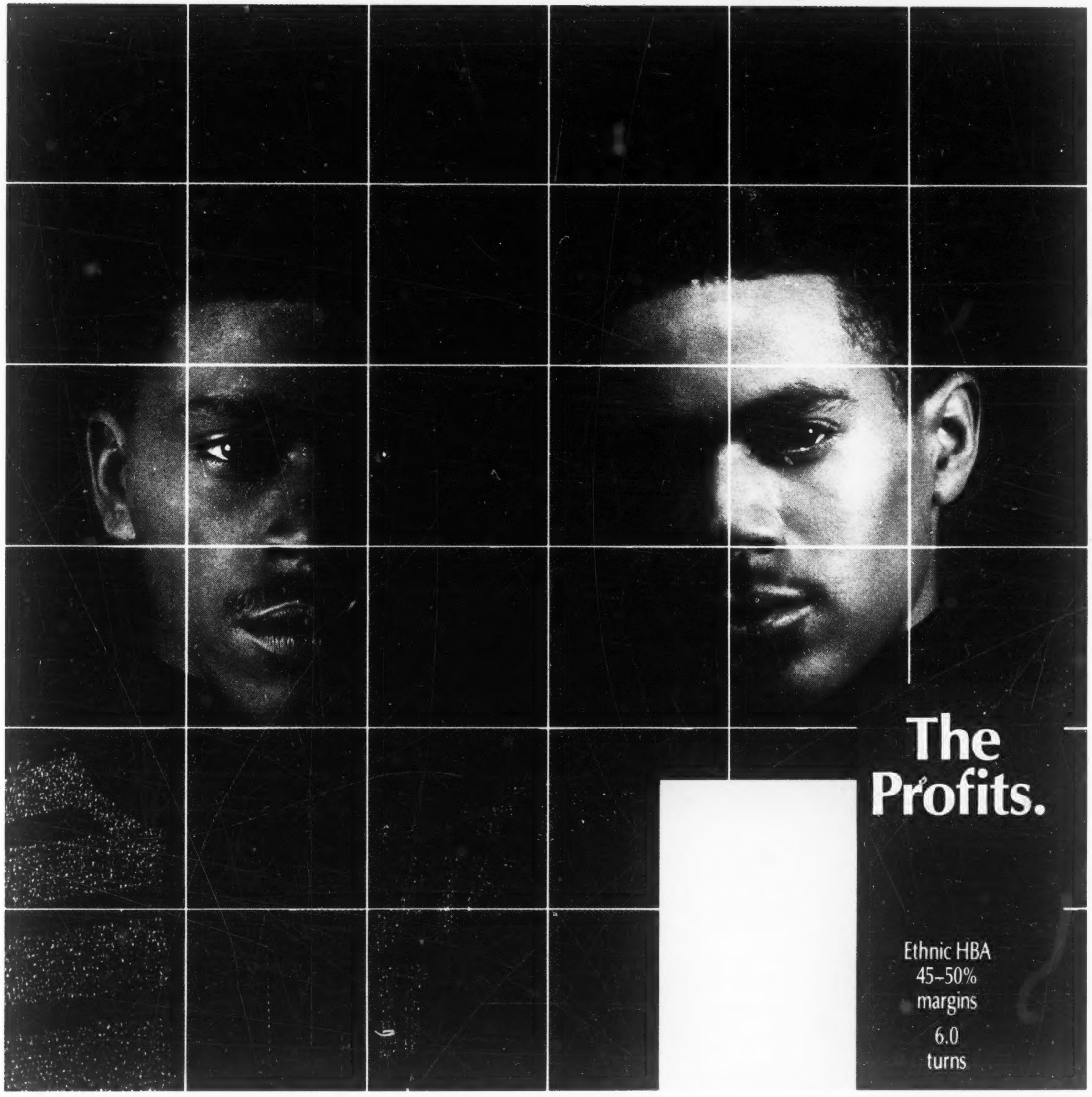

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# Drug chains score with hair care convenience, pricing

For women buying hair care products, convenience and price are the biggest motivators—and drug stores appear to have that combination in the greatest amount.

Drug stores, named by 34 percent of female Gallup respondents as the preferred place to buy this category, lead all other trade classes because they are easy to visit quickly and can price sharply.

Of course, food stores and beauty salons offer their own brand of convenience, and are making inroads. But the merchandising efforts made by drug chains and deep discounters to display mass and professional brands with excitement are paying off.

The Gallup findings confirm what many buyers have felt for awhile: that for drug stores to keep the lift in hair care departments, they need to devote more footage to the category, stock broad assortments of professional and mass brands, and price comparatively with food and mass merchandise chains.

*For drug stores to keep the lift in hair care departments, they need to devote more footage to the category.*

The biggest edge drug stores have is convenience—cited by 62 percent of the women who said they buy styling aids in drug stores.

Only 20 percent of the women who bought styling aids in drug stores said their purchase was motivated by price. One buyer said he felt that chain drug stores should be double checking their prices on at least the most visible brands or the best known brands to make sure their stores are featuring prices that can motivate a sale—especially when competing against Wal-Mart or K mart.

On a space basis, the much larger discount department stores often give more space to styling aids than chain drug stores can. In a special analysis done for *Drug Store News*, Nielsen Marketing Research reported that in 1989, the average mass merchandiser gave styling aids or fixatives 86 feet of space compared to 72 feet for an average drug chain.

**Preferred shampoo brands**

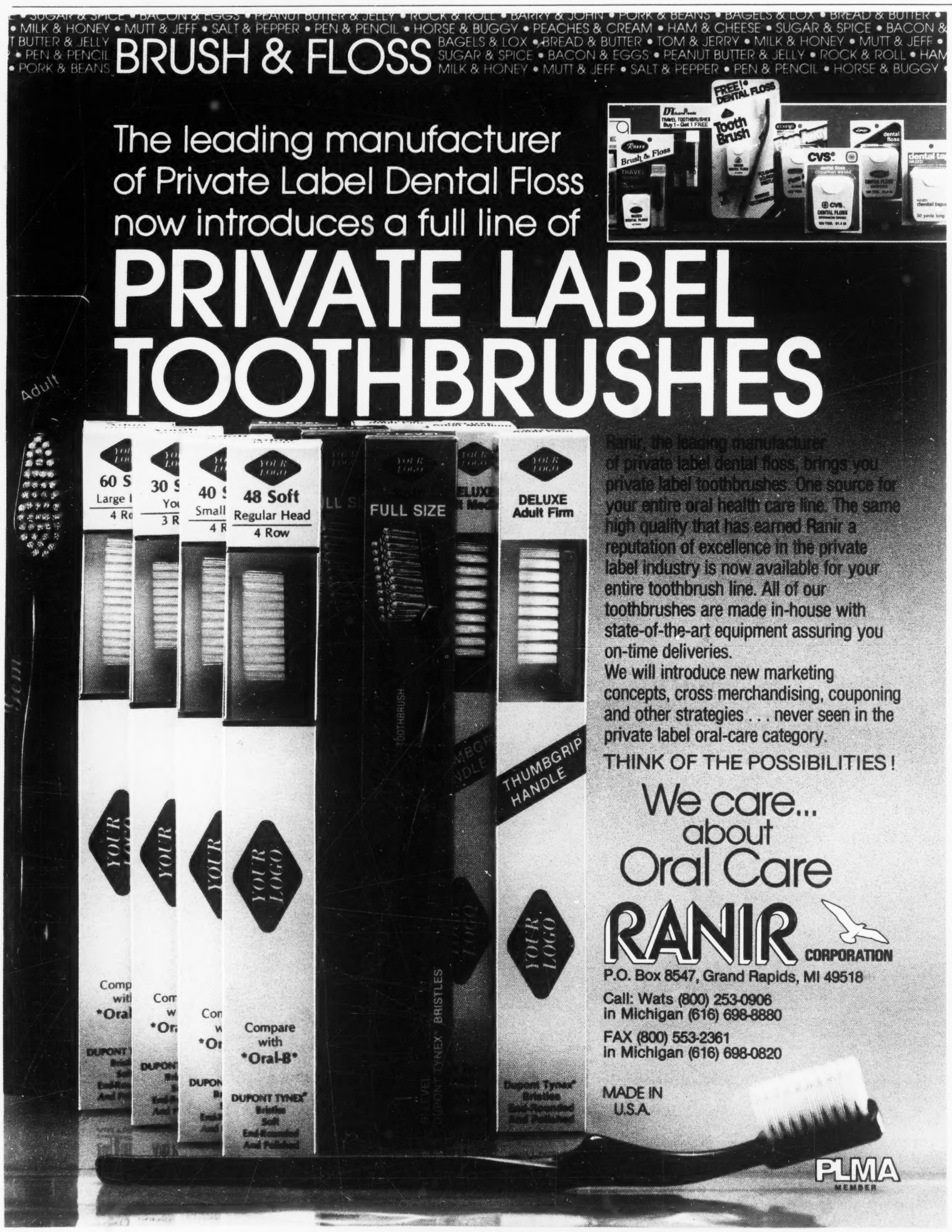
| | |
|---|---|
| Nexxus | 7% |
| Suave | 5 |
| Pert Plus | 5 |
| Prell | 4 |
| Ivory | 4 |
| Head & Shoulders | 4 |
| White Rain | 3 |
| Finesse | 3 |
| Redken | 3 |
| Perma Soft | 3 |
| Jhirmack | 3 |
| Salon Selectives | 2 |
| Revlon | 2 |
| Pantene | 2 |

Source: Gallup Organization

**Why women shop particular outlets for hair styling products**

| | |
|---|---|
| Convenient to home/ office | 44% |
| Good prices | 38 |
| Good selection | 8 |
| Only place that carries preferred brand | 5 |
| Salon products are superior to mass market products | 3 |
| More comfortable with beautician recommendation | 3 |
| Service/sales help | 1 |

Based on use in past four weeks
Source: Gallup Organization



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## Gallup: Hair care

Sales of hair styling products are booming in deep discount drug chains like Drug Emporium. In addition to low everyday prices, deep discount drug chains also offer women shoppers service and a rich selection of product.

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Brand loyalty in the shampoo category is very fragmented. Some of the most frequently mentioned favorite brands are Nexxus, Suave, Pert Plus, Prell, Ivory and Head & Shoulders.

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Price and convenience are the primary motivators of hair care purchases in drug stores, and often the main reason women shop deep discount chains like Drug Emporium for hair care products.

### Preferred gel brands

| | |
|---|---|
| Dep | 9% |
| Paul Mitchell | 6 |
| Vavoom | 6 |
| L'Oréal Studio | 5 |
| Clairol | 5 |
| Dippity Do | 4 |
| Salon Selectives | 3 |
| Nexxus | 3 |
| TRÈSemmé | 2 |

Based on use in past four weeks
Source: Gallup Organization

### Percent of women who use hair styling products

| | |
|---|---|
| Hair spray | 60% |
| Mousse | 28 |
| Gel users | 21 |
| Spritz users | 14 |
| Curl energizer | 4 |
| Sheen | 3 |
| Volumizers | 2 |
| Glazes | 1 |

Based on use in past four weeks
Source: Gallup Organization

### Preferred hair spray brands

| | |
|---|---|
| White Rain | 9% |
| Aqua Net | 8 |
| Final Net | 6 |
| Paul Mitchell | 5 |
| Rave | 5 |
| Salon Selectives | 3 |
| Clairol Mist | 3 |
| Finesse | 3 |
| Style | 3 |

Suave, Adorn, Vidal Sassoon, Breck, Jhirmack and VO5 were each named by 2 percent of users.
Based on use in past four weeks
Source: Gallup Organization

### Women use mousse more often

(Current usage vs. several years ago)

| | |
|---|---|
| More frequently | 49% |
| Less frequently | 16 |
| About the same | 35 |

Based on use in past four weeks
Source: Gallup Organization

### Preferred mousse brands

| | |
|---|---|
| Clairol Condition | 8% |
| Suave | 7 |
| White Rain | 7 |
| Vidal Sassoon | 4 |
| Alberto VO5 | 4 |
| Salon Selectives | 4 |
| Perma Soft | 4 |
| Paul Mitchell | 3 |
| TRÈSemmé | 3 |
| Finesse | 3 |
| Sebastian | 3 |

Based on use in past four weeks
Source: Gallup Organization

### Women use gel more often

(Current usage vs. several years ago)

| | |
|---|---|
| More frequently | 61% |
| Less frequently | 14 |
| About the same | 25 |

Based on use in past four weeks
Source: Gallup Organization

# Chains look to clean up with bath boutiques

Lately, many chain drug stores have been examining their bath planograms, looking for ways to escalate growth by tying in bath with a variety of indulgence-type products like skin care and fragrances.

Most buyers see bath care as a "growth category" in their stores, up 12 percent to 20 percent in some chains.

The category is also getting more attention from manufacturers like Neutrogena, Jean Naté, Vitabath, Yardley, Le Spa, La Loren, Vaseline Intensive Care, and a host of smaller, regional brands. Many are trying to create a new category for drug store retailers—boutique bath products.

Many buyers see the potential for increased sales in the success of specialty bath shops like Evelyn & Crabtree or The Body Shoppe.

There is certainly a strong base for growth. Gallup discovered that 49 percent of all American women over 18 use a bath product, meaning the remaining 51 percent are all potential users.

### Heavy use reported

Bath product users are also relatively heavy users. More than half (60 percent) of the respondents who used a bath product used it at least once a day or more. Another 22 percent used bath products at least two or three times a week.

Bath powders and bath oils that dissolve in the water to add moisture to the skin and to perfume it are the most popular, used by 23 percent and 19 percent of the respondents, respectively.

Women under 24 aren't as prone to use bath products as their older counterparts. Women over 50 are more likely than younger women to choose a bath powder.

Black women are not as likely as whites to buy bath powder, but are more likely than whites to prefer bath oils, bath lotions, and bath beads, with oils and lotions their most-preferred items.

Half of all women also use moisturizing lotions; 39 percent use dusting powders; and 15 percent use a perfumed splash.

There is some increase in how often women use bath products; 29 percent of all users told Gallup they use bath products more frequently today than they did several years ago, and only 10 percent said they use them less frequently.

**Women who use bath and shower products**

| | |
|---|---|
| Powders | 23% |
| Oils | 19 |
| Lotions | 13 |
| Gels | 7 |
| Beads | 6 |
| Never use | 51 |

Based on use in past four weeks
Source: Gallup Organization

**Preferred bath brands**

| | |
|---|---|
| Avon | 18% |
| Johnson & Johnson | 11 |
| Calgon | 7 |
| Vaseline Intensive Care | 6 |
| Neutrogena | 4 |
| Shower To Shower | 4 |
| Vita Bath | 2 |
| Jergens | 2 |

Based on use in past four weeks
Source: Gallup Organization

**Drug stores are preferred outlets for bath and shower products**

| | |
|---|---|
| Regular/discount drug stores | 34% |
| Discount department stores | 17 |
| Door-to-door sales persons | 14 |
| Food stores | 13 |
| Department stores | 9 |
| Mail order | 3 |
| Specialty stores | 2 |
| Beauty shops | 1 |

Based on use in past four weeks
Source: Gallup Organization

**Why women shop particular stores for bath and shower products**

| | |
|---|---|
| Convenient to home/office | 42% |
| Good prices | 33 |
| Only place that carries preferred brand | 10 |
| Good selection | 4 |
| Service/sales help | 2 |

Based on use in past four weeks
Source: Gallup Organization

## Drug stores kick up splash as bath source

Most women will buy a bath product wherever it is most convenient for them—with drug stores kicking up a splash on that count.

Gallup found that 34 percent of the respondents bought their bath products in drug stores, with 56 percent of them citing convenience, and another 31 percent naming price as their motivators.

The drug store share doubles that of discount department stores, named by 17 percent of Gallup respondents. Door-to-door salespersons, food stores and department stores followed.

Many toiletries buyers believe stronger growth in bath would result from more space for a broader, more organized presentation. They would also like sharper prices to enhance their competitiveness.

In terms of favorite brands, Avon was named by 18 percent of the women who use bath products as their favorite; Johnson & Johnson bath products were named by 11 percent; Calgon and VIC were named by 7 percent and 6 percent, respectively.

After that, the category fragmented and brand loyalties trickled down to a variety of brand names, with Neutrogena, Shower To Shower, Vita Bath, and Jergens getting the strongest recognition in a crowded field.

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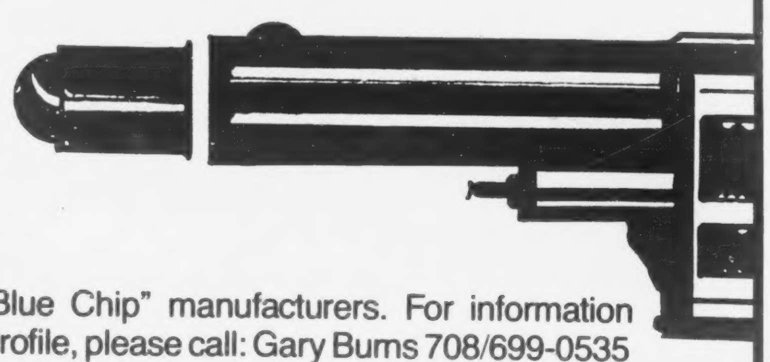

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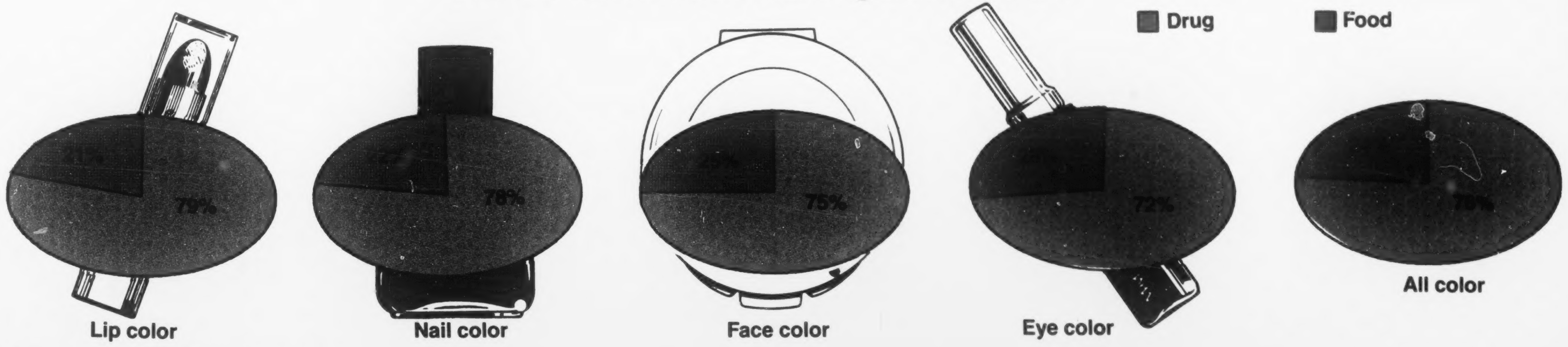
*1989 cosmetics sales share: drug vs. food stores*



Source: Nielsen Market Research

# Fragrance, cosmetic sales each top $1B mark

*Merchandising and operational changes, along with hot new product launches, spark sales from 8 to 10 percent at some drug chains.*

Color cosmetic sales in drug stores increased 3 percent in 1989 to $1.08 billion, according to Nielsen Marketing Research.

Drug store fragrance sales were also up, showing an increase of 5 percent to $1.06 billion for the year.

However, buyers for some of the industry's most progressive drug chains say their cosmetic and fragrance sales increases were a lot better than the norm—up 8 percent to 10 percent over the previous year. The reasons: merchandising and operational changes implemented in recent years and hot new product launches like Plenitude, New Definition Make-up, Ex Cla Ma Tion, Navy, California, Aspen, Grow Strong and Mattique.

Some chains, though, report increases that were not as strong. Some buyers say sales were flat or up only marginally, and most attribute the lack of growth to sluggish economic conditions in their markets.

In most areas of the country, buyers also say they are continuing to feel pressure from low-price competitors, particularly discount chains such as K mart and Wal-Mart and deep discount drug operators such as Drug Emporium, Phar Mor and F&M.

### Drug chain strategies

Most of the drug chains interviewed for this report were among the top 15 companies in dollar volume. Generally, the chains experiencing above-average growth in cosmetics attribute their success to a variety of changes they have been making over the years in both merchandising and operations.

Many of these chains report that they have been able to drive sales because they are putting more trained service personnel into cosmetics, a move that one source described as a "catalyst" for growth.

In addition to service, many chains have latched onto merchandising strategies employed for years by department stores to build their cosmetic franchise.

By emulating successful department store techniques, buyers believe they are strengthening ties with their current shoppers, while also making their stores attractive to the potentially rich market represented by department stores.

### Department store woes

Yet buyers today are trying to take advantage of the fact that many department stores are in dire straits, apparently unable to generate enough traffic to sustain their fashion departments, including cosmetics.

So, in addition to trying to reinstate service in their stores, many of today's modern drug stores are trying to upgrade their mix to include a broader range of designer cosmetics and fragrances.

Many chains are trying to create what buyers call "skin treatment centers" that put more emphasis on the franchised brands and regimens of treatment products while at the same time making them easier to find and easier to understand.

Most of the major chains like Walgreens, Eckerd, Osco, Perry, Peoples, Revco, Arbor, Genovese, Longs, and SupeRx, as well as many smaller chains like Snyders, Crown and Bill's, now sponsor training schools to teach cosmeticians selling skills.

Chains are also testing different ways to improve the presentation of high growth or high profit "image" departments, such as skin care, bath products, cosmetic accessories, makeup brushes, jewelry, hosiery, ethnic products, and premium or semi-professional hair care brands.

### Eckerd tests department

Eckerd Drug, for example, is currently doing a 40-store test of a skin care department which houses mass and some prestige lines together in one convenient location.

REVLON
L'OREAL
MAX FACTOR
ALMAY
AZIZA
VANDERBILT

**Sav-on in California uses an airy cosmetics presentation so women can browse comfortably. The chain's merchandising approach transforms just another department into an attractive cosmetic center.**

SupeRx has created a skin care planogram that features a 4-foot set of franchised brands like Almay, Max Factor, Clarion and Revlon treatments, leading into the mass brands in SupeRx's toiletries aisle.

It's the same strategy many drug chains now use in their mass hair care planogram, leading off with a four-foot or larger presentation of premium priced professional or semi-professional lines, then branching out into mid-priced lines and finally ending with the value lines.

More space in the mass planogram is also being given to high-priced premium lines. In skin, that means lines like Plenitude, Neutrogena, Nivea and Olay as well as the top brands in the dry skin segment like Lubriderm and Keri.

In hair, it means the professional lines such as Redmond, Aussie, Infusium, All Set, TRESemmé, La Coupe, Vidal Sassoon, Pantene, and Jheri Redding, as well as some of the more cosmetic or conditioning brands that originated on the West Coast, such as Freeman's hair and skin care, Amitee hair and skin care, Biotene 24-H, and Sleepy Hollow.

Chains are also trying to "liven up" their stores, as one buyer put it, by periodically staging exciting events like fragrance samplings or nail care demonstrations or, in the case of deep discount chains like Drug Emporium, mini-fashion shows at holidays such as Mother's Day.

### Chains use videos

More chains are also using manufacturer-supplied videos as part of their endcap displays. Usually these videos supplement the store's attempts at providing service by explaining how certain products work—like Plenitude's serum lotion, for example—or telling customers what to buy if they have a specific problem with their nails or hair.

Models supplied by major mass manufacturers such as Max Factor are also showing up in drug stores, demonstrating how to layer fragrances, and encouraging customers to buy a "wardrobe" of fragrances, not just a cologne, but also body talcs, skin lotions and deodorants.

And many drug chain buyers say they are experimenting with gift-with-purchase promotions, a prominent sales tool in "class" outlets.

**Nielsen: Retailer fragrance strategies**

# Buyers sniff out scents of life in fragrance category

For the first time in a long time, many drug chain buyers are reporting growth in the fragrance category.

Although some chains say that Mother's Day sales were unexpectedly disappointing, others report their overall fragrances sales for the year are up anywhere from 5 percent to 10 percent.

Buyers attribute part of the growth to improvements in merchandising and presentation as well as to expanding their product mix to include a broader representation of department store brands, including diverted brands like Red, Uninhibited and Passion.

### Hot launches

Most buyers also say that some of the newest mass market launches like California, Aspen, Dare, Electric Youth and Ex Cla Ma Tion, have also done very well this past year, with Ex Cla Ma Tion still continuing to be named as the best of the new launches.

Now expectations are high that more new launches will make this Christmas an even better selling season than last year.

Most buyers are positive about Coty's upcoming launch of Preferred Stock for Men, Factor's California For Men, Quintessence's Aspen for Women, and Revlon's Unforgettable (for women). The reaction to Shulton's upcoming launch of Sante Fe for Women, and MEM's Fathom (for men) are a little more subdued, but still hopeful.

Several buyers describe Coty as the best fragrance house in the mass market industry, with marketing expertise that has made Stetson and Lady Stetson the leaders in their class and Ex Cla Ma Tion one of the best new product launches of recent years.

"Coty has the follow-through to make things work out," says the cosmetic buyer for a major West Coast chain. "And if something doesn't happen to work out, as occasionally it can, they take care of it."

"They have a great record and they spend money," says a source for one of the industry's top five chains. "Preferred Stock will have a higher than average price point, but I think it will sell."

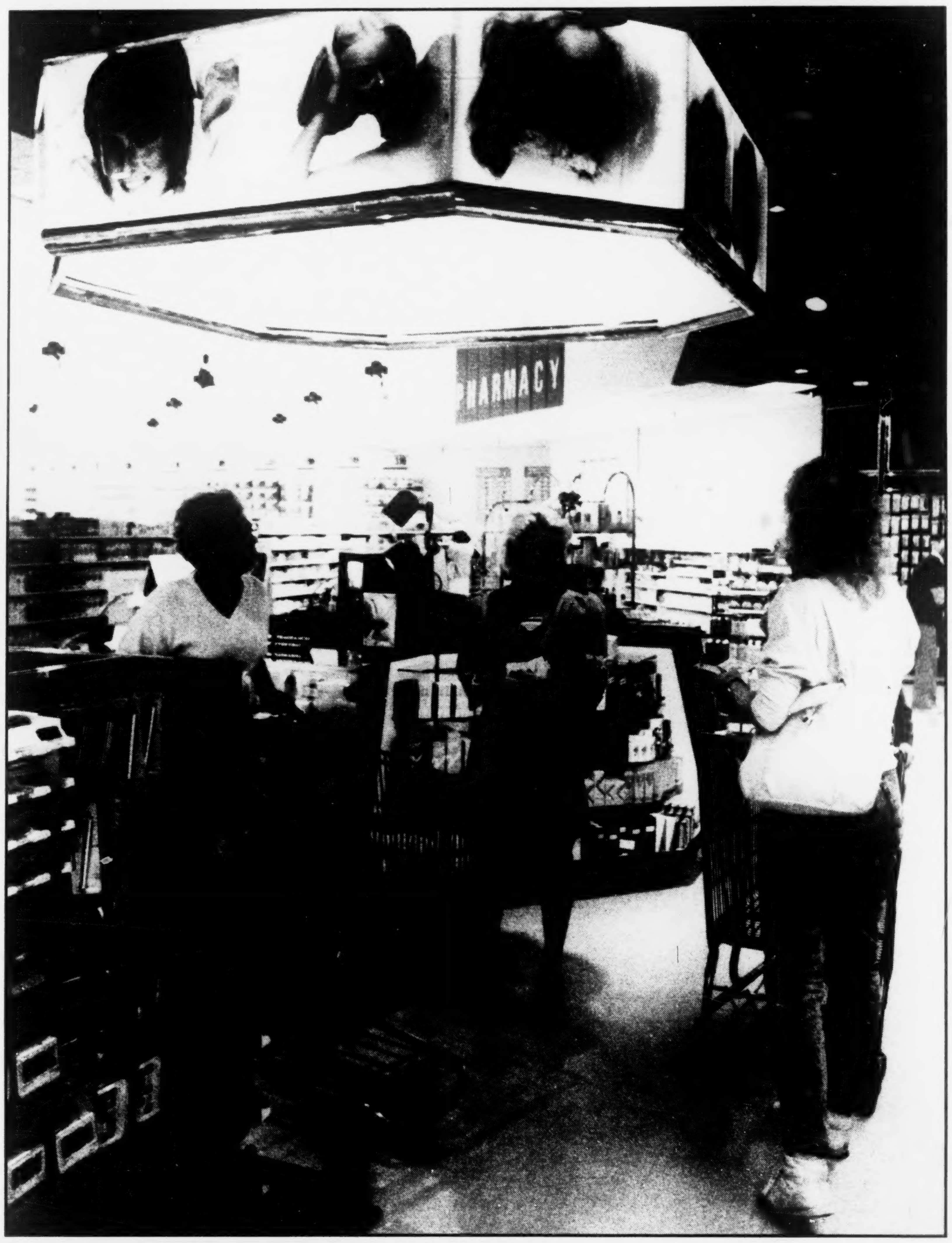
### High on California

Optimistic expectations are also being voiced for Factor's California For Men, but with some reservations. Some buyers think it may do even better than California because, as one reasons, "it should appeal to men even more than California appealed to women, because it's macho and sporty, and men are more into surfing and tanning and all the other ramifications of the California scene."

One buyer thinks the launch may suffer a little because he perceives that the popularity of the line's signature spokesperson, actress Jaclyn Smith is waning, but even this source believes it should do well if Factor supports it as promised.

Aspen for men was a good launch and so was Qunitessence's launch of Dare, which preceded Aspen. So, given the company's track record, buyers feel Aspen For Women would at least be a decent launch, and possibly one that could exceed expectations.

Sante Fe For Women and Fathom are more of a question mark, according to buyers. Sante Fe for men has had a relatively slow build in many chains, and buyers wonder how much of a demand there will be for a companion brand for women.



**Food chains such as Vons Pavilions are adopting more department store sales techniques to build traffic in their cosmetic departments. Sampling is a particularly effective way to build sales, buyers say.**

Some are also afraid that there might not be enough advertising behind either Sante Fe or Fathom to support the launch.

Buyers had similar reservations about Revlon's launch last year of That Man. They were afraid Revlon wasn't prepared to spend enough on advertising to support the launch, and they felt the name was too vague.

So far, their fears have been realized. That Man, has not sold well, according to buyers in the chains we talked to.

### Unforgettable launch

Now, however, many buyers think Revlon has learned a lesson and there is a more hopeful feeling that Unforgettable will be a good launch. Revlon has promised to spend $7 million to support it and buyers say if they do that and if the scent is good, Unforgettable should do well.

Some buyers are concerned, however, that the price point may be too high for many drug store customers.

So far, the strongest launch of this year has been Cover Girl's Navy. Most sources say Navy has been selling well in all stores. Prince Matchabelli's Luna Mystique has been a good launch, but, for most chains, not as strong as Navy.

This year with more drug chains stocking designer scents, the growth in alternative designer fragrances has gotten even softer. Buyers say the category has peaked and chains have pared back to the brands and lines that turn the best for them.

Primo is still in just about everyone's planogram, but some of its sister brands like Ninja are under review in some chains and may ultimately be eliminated.

After Parfums de Coeur, which makes Primo, there are only a few companies that buyers mention frequently as doing well for them. They are Deborah with Sensational Scents, and Delagar with Mystic Impressions and Classic Match.

One chain, however, reports "blowout sales" for a line of ADFs made by a company called Jean Phillipe. The price point is $2.99 and the source says that each time she features them, they sell through in weeks.

**Fragrance sales grow in drug stores**

(Dollar sales in millions)

| Category | 1988 | 1989 | % change |
|---|---|---|---|
| Women's fragrances | $ 633.6 | $ 671.5 | 6% |
| Men's fragrances | 376.7 | 391.1 | 4 |
| Total fragrances | $1010.3 | $1062.6 | 5% |

Source: Nielsen Market Research

Nielsen: Retailer cosmetic strategies

# Mascaras, skin treatments pace cosmetic sales

Cosmetics
Cosmetics
REVLON

**Stores like Drug Emporium have bullpen service counters manned by cosmeticians. The upscale look makes shopping for cosmetics much more pleasant and interesting, and someone's always on hand to answer questions.**

What are the strongest growth categories in cosmetics today?

According to manufacturers and chain drug buyers there are some seven or eight categories leading the way. They include mascaras, skin treatments, foundation make-ups, lip sticks, nail color, blushes and eye and lip liner pencils.

Nail treatment sales have leveled off from their boom years of the mid-'80s; artificial nail sales are down sharply; and eye shadow sales are soft.

"Mascaras are great for us," said the buyer for a 300-store chain. "But shadows are dead, and if you look at magazine ads, you can see why. This year, the trend seems to be away from heavy color on the eyes and toward more subtle shades on cheeks, lips and nails."

**Outstanding launch**

Plenitude, with a $35 million ad campaign behind it, has been an outstanding launch. Buyers say it continues to sell very well. And, to the delight of everyone, the latest line extension—Action Liposomes—is also starting off strongly, even though it has a $15 suggested retail price.

*Buyers report double-digit increases for mascaras, which manufacturers have made into a very specialized category.*

The cosmetic buyer for one of the industry's top five chains said that given Liposome's ticket of $15, he is amazed at the strong start.

But then he also noted that Owens Lab has had a $12 liposome formula cream out for some time that has been showing above-average movement for its price range.

"Candermyl Milk Cream, labeled a non-bionic liposome cream for sensitive skin, has consistently done well for us," he says, "and at a relatively high price point for our stores."

Almay still stands out as one of the strongest skin care lines, with just about every buyer reporting that sales growth is continuing on that line in spite of all the new competition.

Several sources tell us Almay's new sun care line is also doing well. And Almay's new fixtures seem to be helping sales of its color products.

Chains with Physicans Formula in their planogram report strong sales, particularly of skin care and face make-ups.

However, not all skin care lines are flying out the door. Revlon hasn't spent much yet to support its relatively new Pure skin care line, and buyers generally agree that movement on Pure is soft.

Reviews are mixed for Revlon's other skin care lines—Moondrops, Eterna and European Collagen lines. Some chains report sales are picking up on these lines, while others disagree.

Within skin care, eye creams are showing strong growth. Several retailers single out both Neutrogena's and Almay's eye creams as winners.

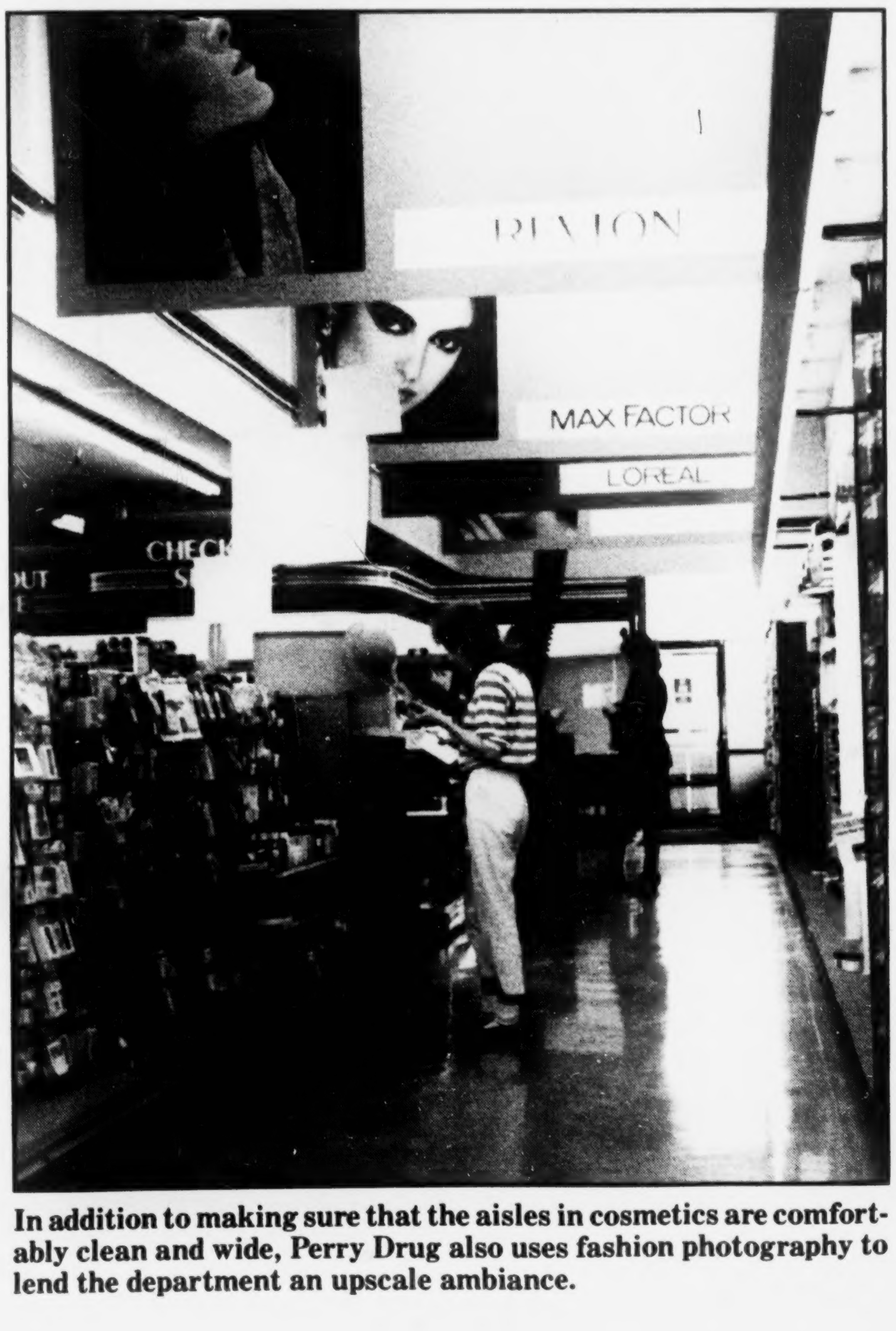
In the toiletry or mass section of skin care, Olay is still the best selling line, with most buyers saying there has been little or no cannibalization of sales because of new players. Neutrogena and Nivea are both doing well. And so are brands positioned for dry skin like Lubriderm and Keri.

**Mascara sales up**

Most buyers report their mascara sales this year boast double-digit increases. Manufacturers have made mascaras a very specialized category. Chains today can sell women whatever they think they need to make their eyes look good: thickening mascaras, lengthening mascaras, no color mascaras, strong color mascaras, light color mascaras, and waterproof mascaras.

Every buyer we talked to said L'Oréal's Lash Out is

*Continued on page 80*



**In addition to making sure that the aisles in cosmetics are comfortably clean and wide, Perry Drug also uses fashion photography to lend the department an upscale ambiance.**

**Cosmetics sales grow in drug stores**

(Dollar sales in millions)

| Category | 1988 | 1989 | % change |
|---|---|---|---|
| Eye color | $ 287.6 | $ 282.6 | (2%) |
| Lip color | 251.9 | 272.9 | 8 |
| Nail color | 158.6 | 164.1 | 3 |
| Face color | 352.7 | 359.8 | 2 |
| Total color | $1,051.0 | $1,079.0 | 3% |

Source: Nielsen Market Research

## Nielsen: Retailer cosmetic strategies

*Continued from page 79*

selling like hot cakes. They all like the looks of the newest L'Oréal mascara line, Splash Out, which is shipping now.

Maybelline's sales may have flattened, some buyers report, but its mascara business is still very strong, and buyers said Illegal Lengths, Great Lash and Fresh Lash are strong sellers.

Max Factor's No Color has quieted down considerably, but the company's latest launch, Stretch Mascara, is moving briskly, and Some Color and 2000 Calorie are following suit.

Almay's mascara sales have been picking up, many buyers say, and now the company has a new plumping line called Longest Lashes that buyers say they like.

Some sources also report that Flame Glow's new Double Take mascara has generating strong initial sales.

Even though mascara sales are strong, the same isn't true for eye shadows. Many buyers say their shadow sales have been soft this year. However, some chains report they are seeing some growth in single pan shadows. Two sources give special mention to the single pans from Clarion and Maybelline.

Most buyers also say their lip and eye liner pencils are doing well. (One chain is bringing out its own exclusive line of liner pencils.) One buyer says the Clarion liners are doing especially well because they are easy to apply and resist smudging.

Several sources also report that Maybelline's new self sharpening Turning Point eye liner is moving nicely; so, many say, is Cover Girl's Pro-Lining Perfect Point Pencils.

### Face makeup picks up

In face makeup, which had been a slow segment until recently, sales for some lines are picking up.

Factor's New Definition Make Up is doing very well and early reports on the new Cover Girl Perfecting gel-based makeup line are positive.

Sources for chains such as Revco, SupeRx and Osco Drug report that Perfecting, given its higher-than-average price points for a Cover Girl make-up, is performing above expectations.

Buyers with stores in the Midwest and South also say Factor's pancake make-up is doing well, especially in these markets. Some sources also singled out Revlon's Touch & Glow loose powder makeups as being among their best sellers.

All the buyers and cosmetcians we talked to also say L'Oréal's Mattique make-up is continuing to sell strongly.

Sharon Schrage, cosmetics coordinator for Bill's Drug, says Mattique is one of the best performers in the makeup area. L'Oréal's Visuelle also continues to do well, with no one reporting any dip in sales because of Mattique.

Factor's Rose Water Blush, an item brought back from several years ago, is moving well in many chains, although a few sources say sales have slowed somewhat after a very strong start.

Revlon's Air Brush, introduced last year, is not really catching on, many buyers say.

Buyers are excited about L'Oréal's new Micro-blush, which uses new technology to deliver longer-lasting translucent color.

Revlon has repackaged its foundation make-ups and, with a few exceptions, most reports confirm that sales have responded in a positive way.

Crown's cosmetic buyer, Toni Markham, says, "Revlon's relaunch has been good for us and it has also been helped by the advertising campaign."

### Lip color

Last year's fascination with bee-stung lips remains unabated this year. "The collagen trend is still big," a California-based retailer says. Some products singled out include Cover Girl's Lip Advance Powder and Coty's Nature's Lip Tint.

As usual, Revlon's lipsticks, particularly Super Lustrous, and in some chains, Moondrops, are doing well. L'Oréal's lipsticks are popular, and cosmeticians like Osco's Robin Maiden report that Cover Girl's new Lip Advance Powder On Lipstick are exceeding expectations.

Bonne Bell's Lip Smackers are selling steadily and Flame Glow's latest lip sticks are doing well.

### Nail color

What Bill's Drug's cosmetic buyer, Sharon Schrage, calls "a trend toward more natural nails and sheer colors," is apparently hurting sales of bold color polishes, dragon-lady nails, French manicures kits, and other "glamour" nail items.

"The nail extender category is dead," says one West Coast source, who says she has dropped most extenders from her planogram.

Most chains say they have sharply cut back their nail care planograms, and some with limited space are just putting specialty lines or individual specialty items along the bottom or base of their peg wall.

The top performers continue to be the more established names in the category. Most sources say Revlon, Sally Hansen and L'Oréal are their best sellers in color or treatment. Several chains say Nailene products have done particularly well for them.

A number of sources also say that in the budget category, Wet n' Wild's nail color, as well as their eye pencils, are performing very well.

Cover Girl's Pro One Coat Polish is also being singled out by several buyers.

One of the major new introductions in nail care this year was Quintessence's Nouvage, which features a new delivery system through a pen-like applicator.

Quintessence says consumers need to see how Nouvage works to appreciate it, and they are investing in a major consumer education campaign to get the message across.

Buyers are hoping the campaign works, but early reports indicate that Nouvage is probably going to need time to build a following. At a suggested retail of $6, the price point is high. Even when some chains have advertised it for $3.99, movement has been soft.

Buyers think Nouvage has a chance, but only if Quintessence can succeed in making women believe the product is superior to conventional nail polish.

ALMAY
FREE GIFT

**Many chains have started to put their off-shelf displays on fixtures as close as possible to the cosmetics' wall, sometimes even on the wall itself. the plan is to use the special pre-packs to lure shoppers to the wall.**

# Drug chains retain the lead in competitive photo market

*The photo department remains a competitive battleground, with stand-alone one-hour developing labs carving out a huge chunk of the lucrative photoprocessing market and supermarkets and discount stores coming on strong. In fact, drug stores have given ground to all three competitors in recent years while retaining a slim lead in number of rolls processed, according to the most recent research from the Photo Marketing Association.*

*The PMA shows the drug channel with 23.8 percent of the total market for rolls of film processed at retail in 1988, the latest year for which figures are available. Stand-alone mini-labs remained in second place with 21.1 percent—a remarkable feat for a channel of trade that began the decade virtually at ground zero.*

*For drug stores and mini-labs, however, those numbers mark a slight decline from the previous year. They also represent a concession of sorts to supermarkets and discounters, both of which made market share gains in the same period.*

*The market for film has also been roiled somewhat by intense trade channel competition and by recent price hikes from the major manufacturers. Supermarkets continue to squeeze drug chains for the business with their one-stop shopping efforts, while rising film supply prices have forced retailers into new decisions. Manufacturers pushed up the price of their rolls to help recover from last year's cutthroat competition, and retailers have had to choose between passing along the higher prices and risking a loss of business, and swallowing some or all of the higher cost and watching margins shrink. Most chains seem to have done a little of both.*

*Despite these headaches, however, the photo department continues to earn its keep as a major foundation of general merchandise retailing in the chain drug store. Photo processing remains a high-margin, traffic-building business, for all its competition, and film is still one of the fastest-turning products in the mix. In addition, cameras and flash accessories are small but profitable contributors to this mix.*

# New product development sparking film sales

Once upon a time, the film market for drug chains and other mass merchants could pretty much be described in one word: Kodak. Since the mid-1970s however, Fuji Photo Film has used rapid-fire marketing and product innovation to challenge Eastman Kodak's continuing dominance of the market.

More recently, Polaroid has attempted with apparently growing success to carve out a new niche with its all-occasion OneFilm for amateur point-and-shoot photo buffs, and small suppliers like Konica are making forays into the mass market.

Those developments have forced chain drug merchandisers to review and often to revamp their approach to the category, adding space for more brands and monitoring the performance of newer entrants vs. Kodak. Nevertheless, the increasing manufacturer competition has also sparked more aggressive product innovation and marketing efforts from the suppliers as they battle for the loyalties of a new generation of amateur 35mm shutterbugs.

Increasing manufacturer competition has also sparked more aggressive product innovation and marketing efforts from the suppliers as they battle for the loyalties of a new generation of amateur 35mm shutterbugs.

***When photo consumers usually drop off standard processing***

(Percentage of all photo consumers)

| | |
|---|---|
| **While shopping** | **52.9%** |
| **By mail** | **17.5** |
| **Special trip** | **12.8** |
| **On way home from work** | **6.5** |
| **Lunch hour** | **4.9** |
| **On way to work** | **4.3** |
| **Other methods** | **1.1** |

Source: Photo Marketing Association Consumer Lifestyles Survey

***Consumers' principal source for film****

(Percentage of households)

| | |
|---|---|
| **Discount mass merchandiser** | **38.8%** |
| **Drug store** | **28.4** |
| **Supermarket** | **13.5** |
| **Camera store** | **4.6** |
| **Giant combo** | **4.5** |
| **Department store** | **3.8** |
| **Mail order** | **3.7** |
| **Other** | **6.6** |

*Figures represent consumer responses

Source: Photo Marketing Association Consumer Photographic Survey

### Catalyst for change

Kodak retains an estimated 80 percent of the U.S. film market, but challenges from Fuji and others have been a key catalyst for change at the once-quiet giant. In the past few years, Kodak has overhauled its management structure and product development efforts and repositioned its basic film line under the new Kodacolor Gold umbrella.

Last fall, Kodak added a 1600-speed color print film to its Gold line. Kodak has also aimed its Ektachrome line of color film—positioned for the more advanced amateur photographer—at the mass market in the past year, and in July it will start shipping Ektachrome 50, a new slide film.

"The Gold line tends to be more of a mass-market film . . . [but] there's a place for Ektachrome film for more serious photographers in the mass market," said Kodak spokesman Mike Sullivan. "Serious 35mm photographers are a very active, steady segment of the market, and they tend to take more pictures" than point-and-shoot photographers.

Rival Fuji, meanwhile, has added two new color films to its Super HG line, in 100 and 1600 speeds. The manufacturer has also rolled out Fujicolor Reala, a premium-priced ISO 100 color print film with very fine grain, intended to reproduce colors "as seen by the human eye," according to the company. The film may compete directly against Kodak's Ektachrome.

Fuji is backing its products this season with a NASA tie-in featuring astronaut Alan Shepard.

Polaroid is also busy on the research and development front, with plans to begin marketing a new color film dubbed Hybrid IV in the last quarter of 1990, and a new, compact instant camera code-named Joshua late next year. Polaroid promises sharper images and improved color saturation with Hybrid IV, and will aim "Joshua" at first-time Polaroid users.

***Photo processing market share***

| | Total market share | | | |
|---|---|---|---|---|
| | In rolls | | In dollars | |
| **Outlet** | **1987** | **1988** | **1987** | **1988** |
| **Drug stores** | 24.0% | 23.8% | 22.7% | 22.6% |
| **Stand-alone mini-labs** | 21.4 | 21.1 | 29.4 | 28.9 |
| **Discounters** | 18.5 | 18.8 | 15.1 | 15.4 |
| **Supermarkets** | 13.7 | 14.1 | 10.9 | 11.4 |
| **Camera stores** | 10.8 | 10.7 | 13.5 | 13.5 |
| **Mail order** | 9.0 | 8.8 | 5.7 | 5.5 |
| **Kiosk/other** | 2.7 | 2.7 | 2.7 | 2.7 |

Source: Photo Marketing Association research

***Usual consumer pickup time for standard processing: Demand for next-day turnaround is way up***

| **Pickup time** | **1985** | **1988** | **Percent change** |
|---|---|---|---|
| **Same day or less** | 6.6% | 7.1% | + 7.6% |
| **Next day** | 15.4 | 23.9 | +55.2 |
| **Two-six days** | 60.1 | 53.4 | (11.2) |
| **One week or more** | 17.9 | 15.5 | (13.4) |

Source: Photo Marketing Association Consumer Lifestyles Survey

# New cameras aimed at niche market

On the camera front, Kodak is readying a new line of easy-to-use cameras for a June introduction, although the company was keeping a characteristically tight lid on details.

Last year, the company unveiled Stretch 35, the first one-time-use, disposable camera designed to take panoramic views with a special wide-angle lens. Kodak and other manufacturers like the potential for the disposable as a way to sell incremental rolls of film.

### Determination takes time

"Because of their unique time and place characteristics, the optimal distribution pattern for disposable or single-use cameras will take time to determine," noted the Photo Marketing Association in its most recent report. "But in Japan, 10 percent of film sales already result from single-use cameras."

New from Fuji in easy-to-use 35mm cameras is FZ-6 Tele, a twin-focal length compact model with normal and telephoto lenses. The camera is blister-packed and relatively inexpensive at $69.95, including film and batteries, making it a mass-market entry.

# Future mini-labs get smaller, cheaper

On the processing front, product innovators continue in their efforts to lure drug chains, supermarkets and other mass retailers into the on-site development business. Companies like Noritsu, Fuji, Copal and Print Technology/Photogo have kept up a feverish development pace to make their developing machines as compact, cheap and easy to use as possible, thus putting the one-hour mini-lab revolution within reach of most retailers.

### Taking a second look

Although most drug and combo store chains are still reluctant to jump headlong into the mini-lab game, the recent advances in mini-lab technology have prompted many of them to at least take a second look after initially rejecting the concept in the mid-1980s as too expensive, too hard to staff and too space-consuming.

New machines aimed at the mass market require no plumbing, take up just a few square feet and can be operated by store employees with little special training.

DRUG STORE NEWS®
INSIDE
PHARMACY
PHARMACIST EDITION
Vol. 5, No. 7/June 18, 1990
The News Journal of Retail Pharmacy
Published by Lebhar-Friedman, Inc.

# Is there a future for consumer Rx advertising?

**By Susan Bail**

Inside Pharmacy
SPECIAL REPORT

A few years ago, the expectation was that direct-to-consumer advertising of prescription medications would soon become commonplace. That hasn't happened yet, but the makers of Nicorette, Rogaine, Seldane, Estraderm and some other prescription products are forging ahead in pitching their message to consumers.

Around the first of this year, for example, Nicorette, from Marion Merrell Dow Consumer Products, became the first prescription medication advertised by name on network television, on programs such as CBS's "60 Minutes" and "CBS Evening News." Additional TV flights followed, as well as a continuing program of full-page ads in national consumer magazines.

Upjohn debuted commercials mentioning its prescription baldness product, Rogaine, by name on

*Continued on IP20*

## Inside

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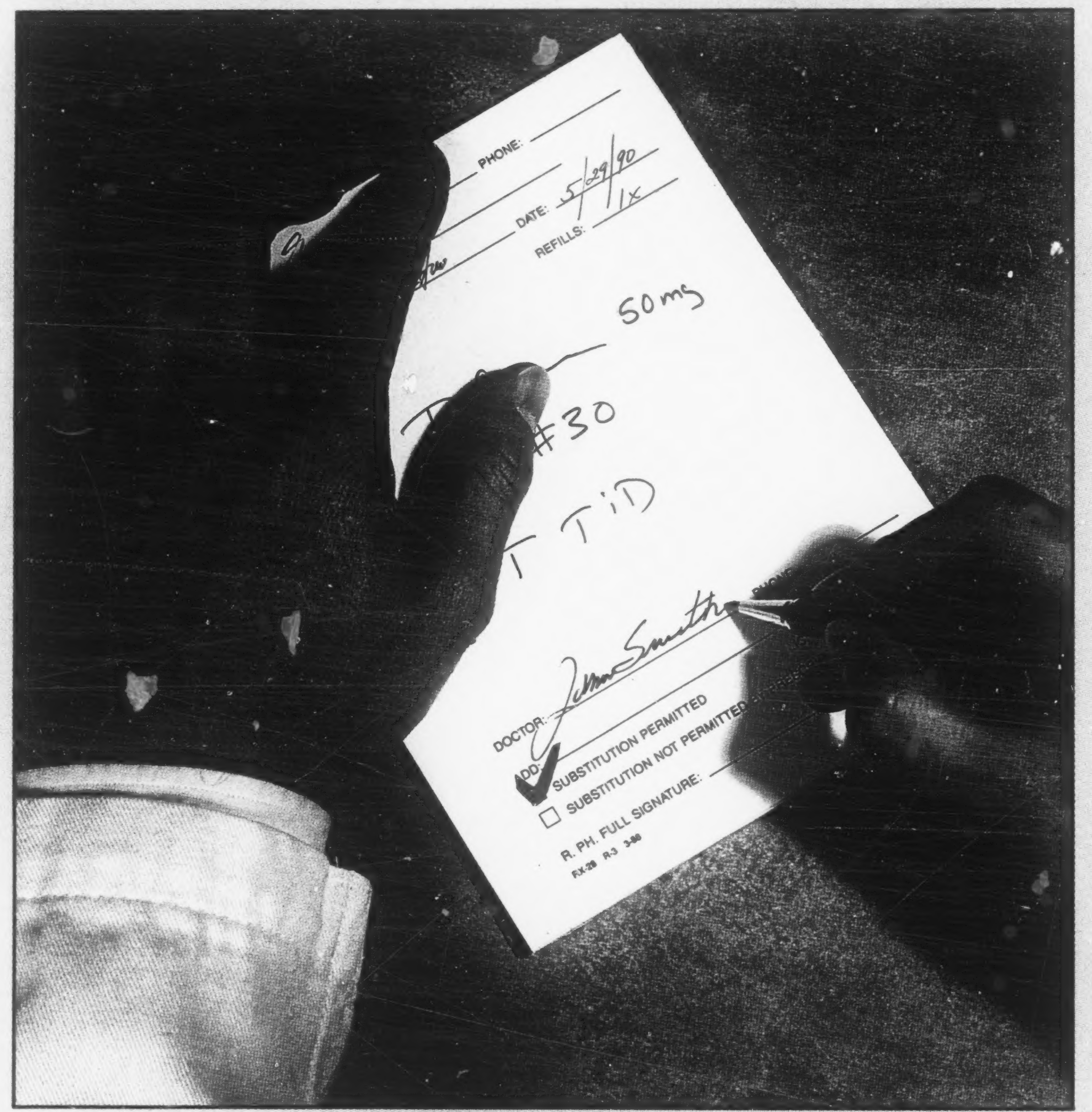

# Rx'ers, M.D.s, public sticking with generics

**By Harold Cohen, R.Ph.**

NEW YORK — Despite heavy flak taken by the generic industry over the past year, generic drugs continue to be a strong contender for prescription business at chain drug stores.

While some generic companies recorded a measurable drop in their sales volume last year in the wake of the FDA scandal, on a nationwide basis, *Drug Store News/Inside Pharmacy's* 1990 Generic Substitution Survey shows the scandal did not appreciably sway many physicians from prescribing, consumers from taking, or pharmacists from dispensing generic drugs.

The nationwide *DrSN/IP* generic survey was answered by directors of pharmacy representing more than 3,000 traditional chain drug stores, supermarket pharmacies and discount store pharma-

*Continued on page IP11*

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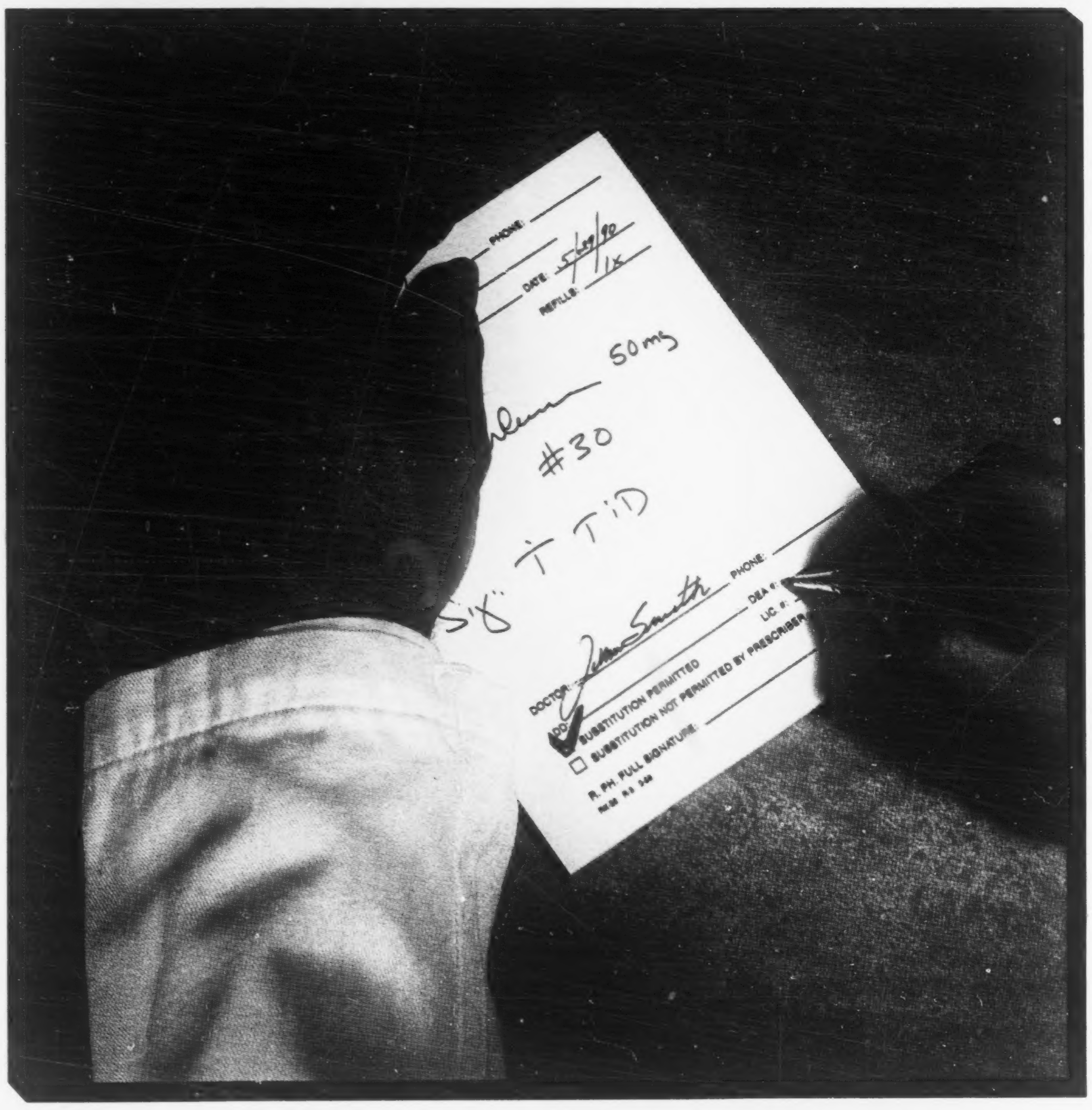
1990
GeneRics
Substitution
Survey

# Patients, doctors, pharmacists unswayed by generic controversy



*Continued from page IP1*

cies. Of those pharmacists surveyed, 61 percent said the number of prescriptions filled generically increased in their stores over the past year. Only 17 percent of the pharmacists reported a decrease and another 22 percent said they remained the same.

Of those pharmacists who said there was an increase in the number of generic prescriptions filled, the average increase was 7.1 percent. Of those who said the number of generic prescriptions filled decreased, the decrease averaged 4.3 percent.

Proliferation of third-party programs that either mandate, or strongly encourage, the substitution of generic drugs as a cost-containment measure, continues to be the engine driving the heavy use of generics by consumers.

But while third-party programs may be successful in steering consumers to generics, they have not appreciably affected physicians' prescription writing habits, according to survey results.

The survey shows that a typical chain pharmacy filled an average of 148 prescriptions a day, 38 percent of them connected to a third-party program.

An opportunity for pharmacists to substitute generic drugs for their branded counterparts presented itself on nearly half (48 percent) of all prescriptions written by physicians. Some of these prescriptions were originally written for the generic, others were written for a brand but the doctor indicated that substitution was acceptable.

While the number of prescriptions written by doctors for a branded drug where substitution was permitted remained the same over last year (29 percent), pharmacists answering the survey reported that early three out of every four (73 rcent) of those prescriptions *were* substituted with a generic.

If there was any indication of the generic industry's problems surfacing at all in doctors' offices, it centered around the percentage of prescriptions written for a branded drug where *no substitution was permitted.*

The survey uncovered a 2-percent increase (20 percent in 1989 to 22 percent in 1990) in the incidence rate for these types of prescriptions. However, there was a 3-percent drop (33 percent in 1989 to 30 percent in 1990) in the incidence rate of prescriptions written for single-source drugs (branded drugs that have no generic equivilant). Prescriptions originally written generically increased a marginal one percentage point over last year.

Some brand name drug products were reported to be substituted more frequently than others. In descending order they included: Tylenol with Codeine #3, Amoxil, Motrin, Lasix, Inderal, and Dyazide.

### Reaction to scandal

A Gallup survey done shortly after the FDA scandal revealed that negative consumer reaction to the FDA/generic controversy was slight.

Only 9 percent of the consumers polled who were taking generics asked a pharmacist or doctor to change their medication to a branded product. More than three-quarters said they continued to believe that generic drugs were safe and effective. Much of the same attitude was shared by a majority of store-level pharmacists.

According to *DrSN/IP's* generic survey, only 9 percent of the pharmacy directors surveyed said their pharmacists' reaction to the generic controversy was negative.

"The pharmacists anticipated more negative patient reaction to generic dispensing," said one pharmacy director.

Others said their pharmacists reacted positively to the generic issue or thought that everything was status quo at the retail level when it came to generic substitution.

"They [pharmacists] still believe in generics and have explained the benefits to customers. Our generic line had few or no recalls," commented one director.

"Because we have a full

*Continued on page IP16*

***Why pharmacists substitute/purchase one generic over another***

| *Reason* | *Scale** |
|---|---|
| Therapeutic/bioequivalent | 3.80 |
| Professional reputation of generic company | 3.80 |
| Cost saving to the customer | 3.70 |
| Product availability | 3.70 |
| Third party | 3.50 |
| Service | 3.30 |
| Improved profit | 3.00 |
| Store company policy | 2.90 |
| Patient request | 2.70 |
| Rebate or other incentives | 2.20 |

*Based on a scale of 1 to 5 (1 the lowest, 5 the highest)

Source: *Drug Store News/Inside Pharmacy* 1990 Generic Substitution Survey

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# Directors provide generic substitution insight

**1990**
**GeneRics**
**Substitution Survey**

NEW YORK — As the substitution of generics in the retail drug marketplace continues to climb, competition among generic companies remains keen, particularly following the recent controversy involving fraudulent FDA generic drug approvals.

Through the *Drug Store News/Inside Pharmacy* 1990 Generic Substitution Survey, we asked directors of pharmacy (representing more than 3,000 drug, supermarket and discount store pharmacies), to give us an insight to why their pharmacists substitute and what they look for when choosing to carry one generic product over another.

Thinking about the reasons their pharmacists substitute a generic drug over a branded drug, the directors ranked their answers on a scale of one to five, with one being the lowest ranking and five the highest.

On average, the highest ranking was given to cost savings to the customer (ranking of 3.7), followed closely by third party (3.5) and improved profitability (3.0). Other reasons given included: store or company policy (2.9), patient request (2.7) and rebates and other incentives (2.2). At least one director in New York said that state law required his chain to substitute while another pharmacist suggested that substituting "enhanced the pharmacists' image as a concerned health care consultant."

*Highest ranking was given to cost savings to the customer, followed closely by third party. . .*

Using the same ranking

*Continued on page IP14*

### *Top five branded drugs most often substituted by pharmacists*

(In descending order)

1. **Tylenol w/ Codeine #3**
2. **Amoxil**
3. **Motrin**
4. **Lasix**
5. **Inderal**

Source: *DrSN/IP* 1990 Generic Substitution Survey

### *The number of generic prescriptions filled have. . .*

(Percentage of pharmacists responding)

| | |
|---|---|
| **Increased** | 61% |
| **Decreased** | 17 |
| **Remained the same** | 22 |

Source: *Drug Store News/Inside Pharmacy* 1990 Generic Substitution Survey

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### *How pharmacists promote generic substitution*

| Method | % Responding |
|---|---|
| **In-store signs** | 96% |
| **Pharmacist's consultation** | 87 |
| **Newspapers** | 78 |
| **In-store brochures** | 70 |
| **Television** | 35 |
| **Radio** | 30 |
| **On prescription bags** | 22 |
| **Magazines** | 4 |

Percentages add up to greater than 100% due to multiple responses

Source: *Drug Store News/Inside Pharmacy* 1990 Generic Substitution Survey

# Rx directors reveal insight as to generic substitution rationale

*Continued from page IP12*

system, the pharmacy directors were asked why they thought their pharmacists would substitute one generic drug over another. The results this time were much closer.

There was a tie for the first place answer: therapeutic/bioequivalent and professional reputation of the generic company averaged rankings of 3.8. Other reasons include: product availability (3.7) and service (3.3). Others suggested such reasons as product availability in the chain's warehouse, net cost of the product, whether or not the product was stocked with the drug wholesaler, company contracts with generic companies, and a variety of cost factors.

## Greatest influence

When asked to rank their feelings on what the greatest influences were on the use of generics in their stores, there was no question that third-party was the major reason (ranked at 4.32).

1990
GeneRics
Substitution
Survey

Other major reasons given included: state substitution formularies (3.72), customer requests (3.12) and M.D. prescribing (2.6). The directors suggested other lesser reasons for dispensing generics as well. These included: internal incentives, company policy, price, and educational programs developed by the chain.

The directors were somewhat divided on the question as to whether any group had tried to influence them not to substitute.

Of those that said they had been influenced not to substitute, all said branded manufacturers were the culprits. Another 43 percent said the physician exerted pressure on them not to use generics. Only 7 percent pointed to association pressures.

## Acceptable generics

The majority of pharmacy directors (88 percent) indicated that finding acceptable generics following the recent controversy has either been "not too difficult" or "not difficult at all." Only 12 percent reported finding acceptable generics "somewhat difficult." None of the pharmacists answering the survey reported it "extremely difficult" finding acceptable generics.

### *Those who have tried to influence pharmacists against substituting generics*

| | |
|---|---|
| **Branded manufacturer** | 100% |
| **Physician** | 43 |
| **Association** | 7 |

Percentages add up to greater than 100% due to multiple responses

Source: *Drug Store News/Inside Pharmacy* 1990 Generic Substitution Survey

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# Generic substitution strong: survey

*Continued from page IP12*

quality line [of generics] in place, our pharmacists did not have to switch or apologize for anything. They became the 'source' of credible information about generics for our patients and others, including the local media," said another pharmacy director.

"They [pharmacists] have mixed emotions. Some lost faith in the system of control at the FDA. Some still believe in the product dispensed," was a comment from one director who said that his pharmacists were basically "neutral" on the issue.

And still another commented that his chain's customer support over the controversy followed the "bad apple theory": "When [customers were] questioned on the controversy, efficacy and safety were not in question."

### Consultation factor

Much of consumers' positive attitude toward generics can be directly credited to the pharmacist-patient relationship developed at store level.

The *DrSN/IP* generic survey showed that 92 percent of the directors answering the survey said they not only encourage their pharmacists to substitute whenever possible, but promote the substitution process directly to customers as well.

**How MDs write prescriptions**

| | Now | 1989 |
|---|---|---|
| Generically | 19% | 18% |
| Brand only/no generic substitution permitted | 22 | 20 |
| Brand/generic substitution permitted | 29 | 29 |
| Single source drug only/no generic available | 30 | 33 |

Source: *Drug Store News/Inside Pharmacy* 1990 Generic Substitution Survey

All of the directors said that whether or not a generic substitution is suggested at the time a prescription is filled, pharmacists are encouraged to consult with those consumers taking generic drugs. They said, on average, the pharmacists spend nearly 10 percent of their working day doing this type of consultation.

> *'When [customers were] questioned on the controversy, efficacy and safety were not in question.'*

The survey showed that 9 percent of those directors who encourage their pharmacists to substitute do so with a monetary incentive. While the respondents refused to assign a dollar value to the incentive, they said it was tied to an bonus program.

The pharmacy directors said they use a variety of ways to promote generics directly to the public.

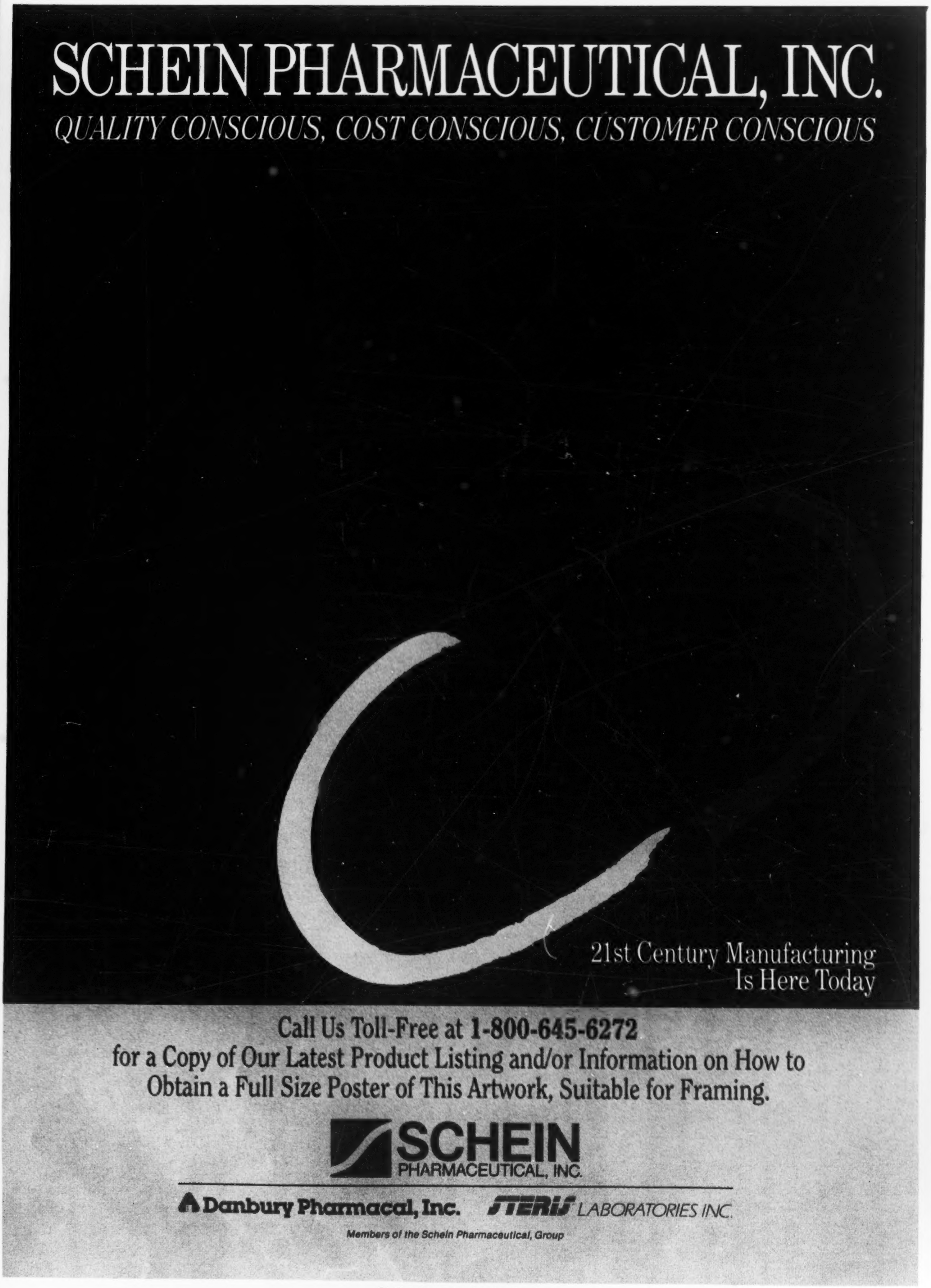
The most popular method was the use of in-store signage followed by pharmacists' recommendations. Other areas of promotion include (in descending order): newspapers, in-store brochures, television, radio, prescription bags and magazines.

### Personal opinion

When asked if they would personally take a generic over a branded drug, 84 percent of the pharmacy directors answering the survey said "Yes." Another 16 percent said "Sometimes." None said they would *not* take a generic over a branded drug.

The argument long used by branded drug companies is that loss of business to generics has greatly reduced the needed capital to carry on necessary research and development of new drugs.

When the directors were asked if they thought that this was so, 96 percent said "No." Only 4 percent agreed with the branded drug companies' philosphy.



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# Efficient new DCs spark Albertson's first $2B qtr.

BOISE, Idaho — Albertson's has reported its first $2 billion sales quarter, a figure largely attributed to the efficiencies of the company's new distribution centers.

Mechanized DCs in Portland, Ore., and Fort Worth, Texas, as well as a satellite DC in Sacramento, Calif., have doubled the company's distribution capacity, chairman and ceo Warren E. McCain told stockholders at the recent annual meeting.

Two combos were opened during the quarter, pushing the company's pharmacy units to around the 230 mark. Major remodels were also completed on eight stores. "Major remodels are those which reach $1.5 million [in cost]," Gary Michael, vice chairman and cfo, told *Drug Store News*, noting that stores get major remodels every 10 years.

The company's "evergreen plan," a perpetual five-year plan, calls for capital expenditures of $1.9 billion, largely from funds generated internally. Over this period, 230 stores are planned, with an emphasis on Texas, Southern California and Arizona markets, as well as rebuilding in the state of Washington.

Sales increased 10.8 percent in the first quarter to $2.01 billion, compared with $1.81 billion in the comparable year-ago period. Earnings rose 15.4 percent to $51.2 million from $44.4 million in the same 1989 period.

---

## First-quarter revenues, earnings climb for Fay's

LIVERPOOL, N.Y. — Fay's reported first-quarter earnings, before an extraordinary charge, of $1.5 million, versus $1.4 million in the year-ago period, on revenues of $153 million, a 16.8-percent gain from the period last year.

During the quarter, ended April 28, Fay's purchased $12 million face value of its 13¾ percent subordinated debentures due 2005, resulting in an extraordinary charge of $574,000. Net earnings after the charge were $902,000.

## Wellby parent's 1st-qtr. sales up, earnings down

SCARBOROUGH, Maine — Hannaford Bros., parent of Wellby Drug, posted a 13.2-percent sales gain, to $393.9 million in the first quarter ended March 31, the company announced.

First quarter earnings fell 6 percent, however, to $9.8 million. The net earnings were 14.5-percent better than the previous year's quarter, after adjusting for an inventory accounting change that had added $1.8 million to the comparable period's earnings, the company said.

Hannaford has been emphasizing stores that pair drug and food components both in its combos and in its warehouse Sun Foods store. Its largest store so far, an 84,000-square-foot Sun Foods (which will be the first Sun Foods with a pharmacy), will open late this year in Utica, N.Y., furthering Hannaford's drive into the state. This will be Hannaford's eighth store in New York.

## Moore's net inches up on 1st-qtr. record sales

NEW BRITAIN, Conn. — Moore Medical posted net income of $168,000 for the first quarter, compared with a $308,000 loss in the 1989 quarter resulting from an unusual charge of $1.5 million for a litigation settlement.

The wholesaler reported record sales of $76.5 million for the quarter, an 18-percent gain over the $64.9 million recorded for the prior-year period.

## Record 1st-qtr. results at Owens & Minor

RICHMOND, Va. — Owens & Minor reported earnings of $1.5 million for the first quarter ended March 31, a 70.6-percent increase, on record sales of $292.6 million, a 49.4-percent hike.

First-quarter results for the previous year's quarter included a $1.1 million pre-tax loss for devaluation of foreign latex examination glove inventory.

A number of major wholesalers had to take similar losses last year after stocking up on gloves in the face of the mounting AIDS crisis.

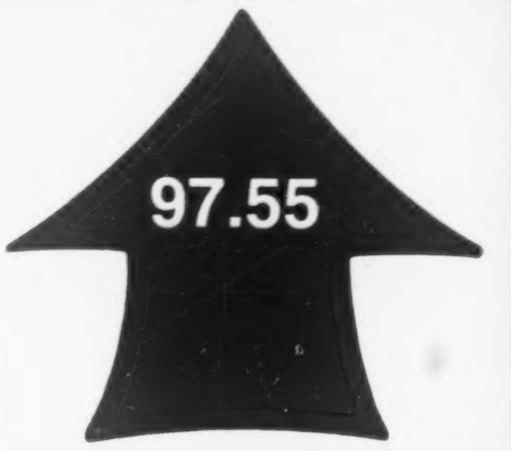
**MARKET DIARY:**

| | | |
|---|---|---|
| Largest Dollar Gainer | Wal-Mart | $ 5.25 |
| Largest Dollar Loser | Big B | $ - 1.75 |
| Largest Percentage Gainer | Leroy Pharm. | 38.46% |
| Largest Percentage Loser | Big B | -15.56% |

| | |
|---|---|
| Advances | 39 |
| Declines | 11 |
| Unchanged | 6 |
| New highs | 14 |
| New lows | 1 |

| | Close 5/25/90 | Close 6/6/90 | Net Change | Percent Change |
|---|---|---|---|---|
| Dow Jones Industrial Average | 2820.92 | 2925.00 | 104.08 | 3.69 |
| Standard & Poor's 500-Stock Index | 354.58 | 366.64 | 12.06 | 3.40 |
| N.Y.S.E. Composite | 193.71 | 199.93 | 6.22 | 3.21 |
| Value Line Index | 243.31 | 250.43 | 7.12 | 2.93 |

Source: Nordby International Inc., Boulder, Colo.



DRUG STORE NEWS INDEX

| Exch | Company | Ticker Symbol | Closing Price 5/25/90 | Closing Price 6/6/90 | Net Change In Period | Percent Change In Period | P/E Ratio | Annual Dividend Rate | Annual Dividend Yield | Annual High | Annual Low |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Chain store transactions* | | | | | | | | | | | |
| OTC | Arbor Drugs | ARBR | 19.75 | 19.25 | -0.50 | - 2.53 | 17 | 0.16 | 0.83 | 24.75 | 14.75 |
| OTC | Big B (L) | BIGB | 11.25 | 9.50 | -1.75 | -15.56 | 38 | 0.16 | 1.68 | 15.25 | 9.25 |
| OTC | Drug Emporium | DEMP | 7.00 | 8.13 | 1.13 | 16.07 | 13 | 0.10 | 1.23 | 16.00 | 6.25 |
| NYS | Fay's Inc. | FAY | 8.88 | 8.88 | 0.00 | 0.00 | 13 | 0.20 | 2.25 | 15.00 | 7.75 |
| ASE | Genovese Drug | GDX.A | 7.38 | 7.75 | 0.38 | 5.08 | 18 | 0.24 | 3.10 | 11.75 | 7.25 |
| OTC | Leroy Pharmacies (H) | LERY | 4.88 | 6.75 | 1.88 | 38.46 | -225 | 0.00 | 0.00 | 6.75 | 2.88 |
| NYS | Longs Drug Stores | LDG | 40.00 | 42.00 | 2.00 | 5.00 | 14 | 1.04 | 2.48 | 48.50 | 36.75 |
| OTC | Medicine Shoppe | MSII | 22.00 | 21.75 | -0.25 | - 1.14 | 22 | 0.16 | 0.74 | 26.38 | 17.50 |
| NYS | Perry Drug | PDS | 8.00 | 7.38 | -0.63 | - 7.81 | 13 | 0.00 | 0.00 | 12.88 | 7.00 |
| NYS | Rite Aid Corp. | RAD | 33.50 | 35.13 | 1.63 | 4.85 | 17 | 0.88 | 2.51 | 41.13 | 29.50 |
| NYS | Walgreen Co. | WAG | 44.38 | 45.75 | 1.38 | 3.10 | 17 | 0.80 | 1.75 | 50.25 | 39.88 |
| *Wholesaler's transactions* | | | | | | | | | | | |
| ASE | Bergen Brunswig (H) | BBC | 26.50 | 28.25 | 1.75 | 6.60 | 16 | 0.40 | 1.42 | 28.63 | 20.50 |
| OTC | Bindley Western Ind. | BIND | 11.63 | 11.63 | 0.00 | 0.00 | 19 | 0.00 | 0.00 | 12.75 | 8.25 |
| OTC | Cardinal Distribution (H) | CDIC | 25.75 | 26.25 | 0.50 | 1.94 | 20 | 0.08 | 0.30 | 26.75 | 18.25 |
| OTC | Durr-Fillauer | DUFM | 21.75 | 21.63 | -0.13 | - 0.57 | 14 | 0.28 | 1.29 | 25.88 | 18.50 |
| ASE | Ketchum | KCH | 2.00 | 2.25 | 0.25 | 12.50 | - 1 | 0.00 | 0.00 | 7.13 | 1.63 |
| NYS | McKesson Corp. | MCK | 33.75 | 35.13 | 1.38 | 4.07 | 16 | 1.60 | 4.56 | 39.75 | 31.75 |
| ASE | Moore Medical | MMD | 6.25 | 6.25 | 0.00 | 0.00 | - 10 | 0.00 | 0.00 | 15.13 | 5.63 |
| NYS | Owens & Minor | OMI | 12.75 | 13.00 | 0.25 | 1.96 | 35 | 0.24 | 1.85 | 13.63 | 10.63 |
| *Manufacturer's transactions* | | | | | | | | | | | |
| NYS | Abbott Labs (s) | ABT | 36.56 | 37.88 | 1.31 | 3.59 | 19 | 0.84 | 2.22 | 38.38 | 27.63 |
| NYS | American Home Products | AHP | 51.63 | 53.50 | 1.88 | 3.63 | 14 | 2.12 | 3.96 | 55.13 | 45.88 |
| NYS | Baxter International | BAX | 22.88 | 23.38 | 0.50 | 2.19 | - 54 | 0.64 | 2.74 | 26.25 | 20.50 |
| OTC | Block Drugs Co. | BLOCA | 34.63 | 35.25 | 0.63 | 1.81 | 14 | 0.68 | 1.93 | 38.00 | 33.25 |
| ASE | Bolar Pharmaceutical | BLR | 6.88 | 6.75 | -0.13 | - 1.82 | 18 | 0.04 | 0.59 | 30.50 | 3.50 |
| NYS | Bristol-Myers Squibb (H) | BMY | 60.75 | 62.13 | 1.38 | 2.26 | 40 | 2.12 | 3.41 | 62.50 | 46.38 |
| NYS | Carter-Wallace | CAR | 53.25 | 53.75 | 0.50 | 0.94 | 16 | 0.80 | 1.49 | 60.50 | 45.25 |
| ASE | Columbia Labs | COB | 11.25 | 10.88 | -0.38 | - 3.33 | - 11 | 0.00 | 0.00 | 19.63 | 7.75 |
| ASE | Forest Labs (H) | FRX | 44.00 | 45.00 | 1.00 | 2.27 | 31 | 0.00 | 0.00 | 47.38 | 30.50 |
| NYS | ICN Pharmaceutical | ICN | 2.50 | 2.75 | 0.25 | 10.00 | 0 | 0.00 | 0.00 | 6.88 | 2.50 |
| ASE | Lee Pharmaceutical | LPH | 1.50 | 1.63 | 0.13 | 8.33 | - 7 | 0.00 | 0.00 | 4.25 | 1.50 |
| ASE | Leiner P. Nutrition | PLI | 11.50 | 11.75 | 0.25 | 2.17 | 13 | 0.00 | 0.00 | 14.25 | 8.75 |
| NYS | Lilly Eli Co. (H) | LLY | 75.50 | 77.75 | 2.25 | 2.98 | 23 | 1.64 | 2.11 | 78.63 | 53.00 |
| NYS | Marion Labs | MKC | 23.75 | 24.50 | 0.75 | 3.16 | 84 | 0.60 | 2.45 | 36.63 | 21.00 |
| NYS | Merck Co. (H) | MRK | 84.00 | 83.75 | -0.25 | - 0.30 | 21 | 1.80 | 2.15 | 85.38 | 66.00 |
| NYS | Mylan Labs | MYL | 22.88 | 23.50 | 0.63 | 2.73 | 33 | 0.20 | 0.85 | 25.38 | 9.38 |
| NYS | Par Pharmaceutical | PRX | 5.63 | 6.00 | 0.38 | 6.67 | - 9 | 0.00 | 0.00 | 10.38 | 3.88 |
| NYS | Pfizer Inc. | PFE | 62.50 | 64.50 | 2.00 | 3.20 | 16 | 2.40 | 3.72 | 75.75 | 54.50 |
| NYS | Rorer Group (H) | ROR | 67.88 | 70.63 | 2.75 | 4.05 | 33 | 0.84 | 1.19 | 70.63 | 36.13 |
| NYS | Schering Plough (s) | SGP | 44.69 | 47.25 | 2.56 | 5.73 | 21 | 1.12 | 2.37 | 48.00 | 31.75 |
| NYS | Syntex Corp. (H) | SYN | 56.75 | 58.50 | 1.75 | 3.08 | 21 | 1.60 | 2.74 | 58.88 | 40.00 |
| OTC | Taro-Vit Industries | TAROF | 0.88 | 0.88 | 0.00 | 0.00 | - 13 | 0.00 | 0.00 | 1.88 | 0.88 |
| NYS | Upjohn Co. (H) | UPJ | 39.00 | 43.25 | 4.25 | 10.90 | 25 | 1.00 | 2.31 | 43.25 | 29.38 |
| NYS | Warner-Lambert (H) | WLA | 59.88 | 61.25 | 1.38 | 2.30 | 19 | 1.52 | 2.48 | 62.25 | 43.25 |
| OTC | Zenith Labs | ZENL | 4.25 | 4.25 | 0.00 | 0.00 | 0 | 0.00 | 0.00 | 14.00 | 3.50 |
| *Other retailer transactions* | | | | | | | | | | | |
| NYS | Albertson's (H) | ABS | 64.00 | 67.00 | 3.00 | 4.69 | 22 | 0.96 | 1.43 | 68.25 | 46.25 |
| NYS | American Stores | ASC | 67.75 | 70.25 | 2.50 | 3.69 | 19 | 1.12 | 1.59 | 72.50 | 51.38 |
| NYS | Giant Food | GFS.A | 28.25 | 27.13 | -1.13 | - 3.98 | 15 | 0.60 | 2.21 | 36.25 | 24.13 |
| NYS | Great Atlantic&Pacific Tea | GAP | 56.88 | 56.88 | 0.00 | 0.00 | 0 | 0.00 | 0.00 | 65.38 | 48.25 |
| NYS | K mart | KM | 34.50 | 36.50 | 2.00 | 5.80 | 22 | 1.72 | 4.71 | 44.88 | 32.13 |
| NYS | Kroger | KR | 14.25 | 15.25 | 1.00 | 7.02 | -169 | 0.00 | 0.00 | 19.75 | 11.75 |
| NYS | Melville Corp. | MES | 50.00 | 50.63 | 0.63 | 1.25 | 15 | 1.40 | 2.77 | 53.63 | 41.13 |
| OTC | Fred Meyer | MEYR | 15.25 | 16.25 | 1.00 | 6.56 | - 58 | 0.00 | 0.00 | 22.00 | 13.00 |
| NYS | Penney, JC | JCP | 64.75 | 67.25 | 2.50 | 3.86 | 10 | 2.64 | 3.93 | 75.63 | 54.88 |
| NYS | Safeway | SWY | 12.63 | 12.38 | -0.25 | - 1.98 | 248 | 0.00 | 0.00 | 12.88 | 11.63 |
| NYS | Smith's Food & Drug (H) | SFD | 33.13 | 33.00 | -0.13 | - 0.38 | 28 | 0.28 | 0.85 | 33.75 | 20.50 |
| NYS | Wal-Mart (H) | WMT | 55.13 | 60.38 | 5.25 | 9.52 | 30 | 0.28 | 0.46 | 61.00 | 37.00 |

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado

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Vol. 12, No. 12 June 18, 1990

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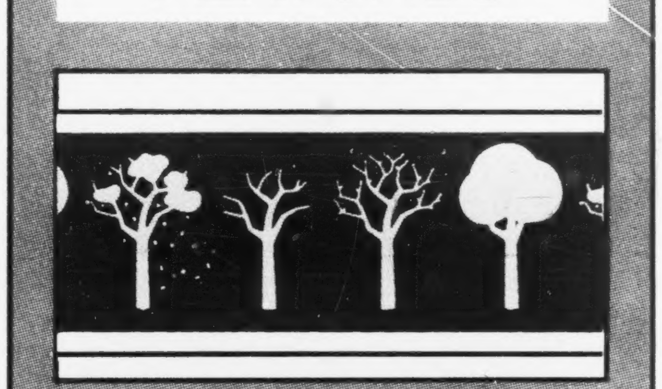
# DRUG STORE NEWS®

Vol. 12/No. 13 **Our 62nd year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. July 9, 1990

## LATE NEWS

- **TWINSBURG, Ohio — Revco D.S. has unveiled a new store concept, called Revco Limited, for 200 of its smallest units. "Limited" stores will carry core departments with a leaner mix of seasonals and promotionals.**
- **SANTA ANA, Calif. — Phar-Mor has signed its first California store lease here, signaling the start of a major assault. Located on S. Harbor Blvd., the 64,938-square-foot store is scheduled to open early next year.**
- **INDIANAPOLIS — Reliable Drug Stores has completed the acquisition of 221 Midwest drug stores from Revco D.S. Simultaneously, Reliable completed the sale to Perry Drug Stores of 16 Revcos in metro Detroit.**

## TOP OF WEEK FEATURES



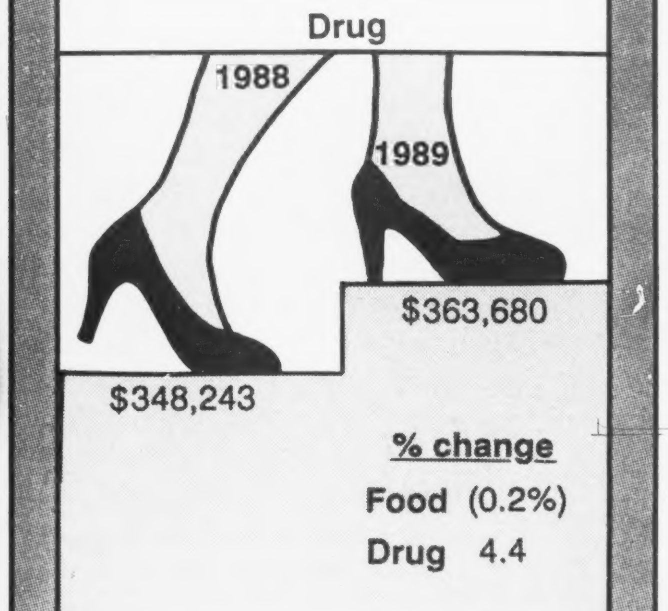
### Greenscape bows

**Al Heller's inaugural column on environmental issues notes it isn't easy being green.**

**— Page 11.**

### Hosiery sales up in drug outlets

(In thousands of dollars)



Source: Nielsen Marketing Research

### Drug chains 'run' with hosiery

**By upgrading selections and displays, drug chains get a leg up on department stores with hosiery.**

**— Page 12.**

# CVS parent to buy Peoples

**The purchase of Peoples by CVS caught many by surprise, but the deal makes sense for both sides. It significantly extends CVS's regional presence, where it will build on notable operational strengths. For Imasco, which helped Peoples to foster a turnaround, the cash infusion gives a shot to the bottom line by reducing debt.**

**By Susan Ball**

RYE, N.Y. — In the biggest acquisition Melville Corp. has undertaken, CVS's parent company has agreed in principle to buy Peoples Drug Stores from Imasco Ltd. of Canada for approximately $330 million (U.S.) in cash.

The CVS-Peoples combination will increase Melville's drug store empire by more than 50 percent, extending it down the east coast into Virginia, and could make it one of the industry's top five in annual sales. CVS currently operates 811 stores in 14 states, mainly in the Northeast, and Peoples' 490 stores are in Washington, D.C., Maryland, Virginia, West Virginia, Pennsylvania, North Carolina and New York.

"CVS and Peoples make an ideal geographic and strategic fit," Stanley P. Goldstein, Melville's chairman and ceo, said in Melville's announcement.

CVS president Harvey Rosenthal told *Drug Store News* that "because the acquisition is so large and metro Washington will be our biggest market, some sort of substantial administrative presence will be maintained there." Peoples operates 196 stores in the Washington metropolitan area. The Peoples name will be retained, Rosenthal said, because of its consumer recognition and acceptance built over 85 years in business.

Citing similarities in emphasis on pharmacy, health care and central distribution, Rosenthal noted, "Peoples has excellent locations, strong shares in key markets and a similar demographic customer profile. There's a great compatability here."

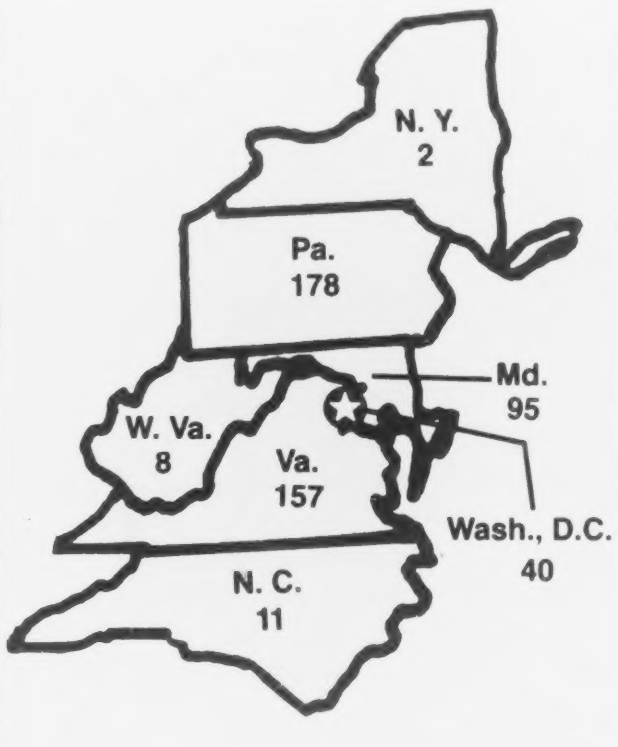
Both chains have locations in malls and strip centers as well as freestanding stores, he said, adding that most of Peoples' leases have significant time left on them, and many have option periods. Rosenthal emphasized that there are no plans to close stores, other than in CVS's normal course of analysis as leases expire: "We plan on operating the stores." Melville will keep Peoples' distribution centers, he added.

Rosenthal pointed out that Peoples has moved closer to CVS's focus in re-

See **Melville,** *page 33*

***Peoples Drug Stores***

(Store representation in states)



Note: CVS operates 811 stores in 14 states, which include Calif., Conn., Del., Me., Md., Mass., Mich., N.H., N.J., N.Y., Ohio, Pa., R.I. and Vt.

Source: Peoples Drug Stores. In metropolitan Washington, D.C., which includes parts of Maryland and Virginia, Peoples has 196 stores.

# Revco LBO under Justice Dept. scrutiny

## *Bankruptcy law specialist subjects case to 'olfactory test'*

**By James Frederick**

NEW YORK — The Justice Department trustee overlooking Revco's bankruptcy case has appointed a law professor to investigate the company's ill-fated 1986 leveraged buyout for signs of fraud. His appointment comes nearly two years after Revco filed for Chapter 11 protection after failing to meet interest payments arising from its LBO.

The appointment of bankruptcy expert Barry Zaretsky marks the first time an examiner has been officially named to review a junk bond-financed LBO in Chapter 11. His findings could have major implications for other highly leveraged companies whose buyout was financed by junk.

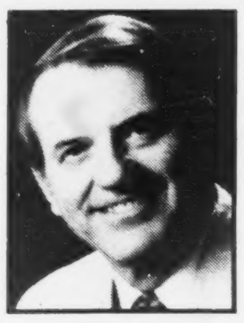
Zaretsky was named by trustee Conrad Morganstern following approval of the move by U.S. Bankruptcy Court in Akron, Ohio. Essentially, Zaretsky is charged with determining whether or not Revco's LBO relied on fraudulent conveyance in order to raise the $1.2 billion in junk bonds and other debt financing needed to structure the deal.

Indeed, Zaretsky may

*See* **Revco,** *page 33*

# American clears hurdles in quest for higher profits

SALT LAKE CITY — American Stores is close to putting some thorny issues behind it as it focuses on building a more streamlined and profitable operating base, vice chairman and ceo Jonathan Scott told shareholders in mid-June.



**J. Scott**

Although dogged by lackluster profits in some of its far-flung retail divisions, American racked up roughly $22 billion in sales as a holding company last year, with good sales and earnings momentum in some of its operating divisions. Among top performers were Lucky Stores and American Drug Stores, which continues to show same-store sales gains of more than 5 percent.

American's strategy now is to apply advanced technology, transportation and communications systems to its

*Continued on page 15*

# Marketplace rewards, drains reps and retailers

**By Al Heller**

DALLAS — Hoarse retailers and reps rode out of town after the four-day NACDS Marketplace here, boots worn and blisters in evidence.

This common ailment was testimony to the brisk business activity and non-stop discussions that filled Infomart and the Loews Anatole.

"I feel like I spoke with everyone," a happy yet weary Barry Berger of Revlon said at the American Airlines terminal, as he prepared to board.

No one appeared to be biting the bullet, as the pace of Market-

*Continued on page 26*

**Drug Store News'** ***Store Manager Training and Continuing Education programs help develop store managers and pharmacists.***
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SECOND CLASS

# NEWS IN BRIEF

## Walgreen Rx'ers in Chicago settle strike

DEERFIELD, Ill. — Walgreen Co. pharmacists in the Chicago area ratified an extended, four-year contract and returned to work just a week after going out on strike. At issue was pay raises and working conditions.

More than 600 striking union pharmacists from 223 Chicago-area stores were affected, and were temporarily replaced by Walgreen pharmacists and pharmacy managers from other states on a shorter-hour basis. State regulators investigating union charges that some of the temporary pharmacists were dispensing without an Illinois license found no such violations, the company reported.

Under terms of the settlement, the Rx'ers are guaranteed an 18 percent pay hike worth a total of $6 an hour in added pay by the fourth year of the contract. The raise will bring base pay up 9 percent in the first year, to $49,920.

The contract also provides for more frequent meetings between pharmacists and managers to discuss work-related stress or other problems.

"We're happy it was able to be mediated so quickly," said Walgreen spokesperson Laurie Meyer. "Our pharmacists work hard, and we need them."

## Phar-Mor, Osco to enlist satellites

YOUNGSTOWN, Ohio — Phar-Mor has decided to use a satellite network system by Hughes Network Systems, Inc. to link all its stores for data, voice and video communication, Phar-Mor and Hughes announced.

American Stores also will shortly announce that it will use Hughes equipment for a satellite network that links its Osco Drug stores, according to a source at Hughes.

The Hughes Integrated Satellite Business Network, which employs VSAT or very small aperature terminal dishes at each store communicating with a central hub, is the same system Walgreens adopted several years ago.

Phar-Mor said the $6 million project will be completed at year's end when it expects to have 250 stores. Satellite was chosen as a less expensive alternative to terrestrial communications and one which provides the best communications options, Phar-Mor said.

## Turley chairs skin cancer dinner

NEW YORK — Stewart Turley, chairman and ceo of the Jack Eckerd Corp., will act as general chairman for the Skin Cancer Foundation's fundraising dinner set for Nov. 15 at the Marriott Marquis Hotel here. The dinner will honor Ron Ziegler, president of the National Association of Chain Drug Stores.

## Allbright to Drug Emporium board

COLUMBUS, Ohio — Bruce Allbright, 61, was elected to the board of directors of Drug Emporium, and will serve the remaining two years of an unexpired term of Jane Trahey, who resigned.

Allbright retired in February from Dayton Hudson Corp., where he last served as president and a director. He has had wide experience in top retail management posts. It includes a period as ceo of Dayton Hudson's Target stores, and jobs as president and ceo of the B. Dalton book chain, executive vp and a director at F.W. Woolworth, and chairman and ceo of the Woolworth-Woolco division.

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# Genovese curbs store growth and focuses on cost cutting

**Aggressive expansion costs and combo competition have caught up with Genovese in the short term. Chairman Leonard Genovese vows that vigorous expense slashing, continued strong pharmacy results, better employee productivity and customer service will quickly steer the chain ahead.**

By David Vaczek

MELVILLE, N.Y. — Genovese Drug Stores will de-emphasize new store growth and renovations this year, as it slashes expenses following a period of rapid expansion and dampened profits.

The 91-store chain hasn't yet opened a store in 1990, and will open only two or three by fiscal year next January; that might include the chain's first Bronx site. Genovese has recently sold two stores in Ridgewood and Franklin, N.J. to Thrift Drug, and has closed one Brooklyn store, company officials told shareholders in June.

### Productivity check

As Genovese downscales its historic plans of 10 percent annual new store growth, chairman Leonard Genovese called for aggressive pursuit of productivity and customer service. "We are attacking productivity issues viciously," he told stockholders at the annual meeting.

That includes increasing employee productivity per hour and boosting sales per square inch of shelving. Employee productivity has already improved with average sales per man hour at $91, compared with $84 last year, as the number of customers served increased 6 percent, Genovese said.

While its Long Island, New York City, New Jersey, and Connecticut markets have the advantages of being densely populated and fairly affluent, they are also costly to operate. Also, Genovese was stung last year by higher interest costs and depreciation charges on high capital expenditures related to new stores, computers and an upgraded warehouse. Employee medical costs also rose by $1 million in 1990.

The chain's net profit-to-sales ratio has ranged in recent years from 1 percent to 1.5 percent. In fiscal 1990, it stayed under 1 percent, compared with a two percent to three percent industry average. On the bright side, sales growth, led by pharmacy, has been double-digit, and that trend continued in the first quarter ended May 25.

### A good trend

"I believe this is an exceptionally good trend we're on," Genovese said, noting that first quarter comp store sales were up 9 percent, with pharmacy sales up 19 percent on a five percent increase in scripts.

Total sales in the first quarter increased 13.4 percent to $128.6 million, with net income of $1.05 million, compared with $1.12 million in last year's comparable quarter. This quarter's net includes a $238,000 gain from the May 25 sale of the two New Jersey stores.

With costs from opening 13 stores in 18 months ended late 1989, the expense-to-sales ratio increased to 26.7 percent from 25.7 percent in the prior year.

# *Fay's to add Philly, N.J. Paper Cutters*

By Susan Ball

LIVERPOOL, N. Y. — Fay's expansion plans include opening up to 15 Paper Cutter stores during the remainder of this year, focusing on the Philadelphia-western New Jersey market and some mid-size cities such as Rochester, N. Y., as it heats up its bid for the home-office customer.

Although Paper Cutter stores, which average about 10,800 square feet, will inevitably come up against such specialty megastores as Staples, said Warren Wolfson, vp, secretary and general counsel of Fay's, its target customer is the home office user, whereas Staples and other megastore chains see small-to-medium business offices as their primary customer base.

Fay's currently operates 18 Paper Cutters, three of which opened during fiscal 1990 and one that opened this fiscal year in Plattsburgh, N. Y.

In addition to its established catalog, Paper Cutter has begun testing delivery service in Syracuse, where it operates three stores and plans to open a fourth this fall.

> *'One of Fay's major accomplishments of the '80s was the startup and expansion of our Wheels and Paper Cutter retailing chains.'*
>
> **-Henry A. Panasci Jr.**

"One of Fay's major accomplishments of the '80s was the startup and expansion of our Wheels and Paper Cutter retailing chains," Fay's chairman Henry A. Panasci Jr. said during the chain's recent annual meeting. With support elements in place, including distribution facilities, systems and staffing, "we are in a position to leverage our investments in Wheels and the Paper Cutter through store growth and increased sales from existing stores," said Panasci.

The chairman also outlined other expansion plans, which include opening six to eight more super drug stores, four Wheels stores and more bantam drug stores before year's end. Already this fiscal year, Fay's Drug Stores have opened in Phillipsburg, Pa., and Hornell, N. Y., and a Wheels unit opened in Syracuse.

Drug store expansion will be concentrated in upstate New York and in Pennsylvania, where Fay's has entered such markets as Harrisburg and Allentown, Wolfson said.

In addition, Fay's opened its first bantam store not acquired from an independent operator in Eden, N. Y., and on June 6, debuted its second

*Continued on page 34*

## *Kerr DC has more elbow room*

RALEIGH, N. C. — Kerr Drug Stores is moving goods into the new 52,000-square-foot addition to its distribution center-offices facility here and expects to have it up and running by mid-July, said John Kerr, president. With the addition, the DC totals 150,000 square feet.

Kerr said the addition features a new receiving dock and a more efficient picking, stocking and restocking system. "The system is set up for additional technological advances," he added, such as in the bar code area.

The chain isn't increasing the percentage of merchandise handled through its warehouse, which stands at about 60 percent, but is moving merchandise from another, rented warehouse into the new wing, Kerr said.

The chain also plans to open store No. 95, in its typical 9,600-square-foot size, in mid-July in a Charlotte, N. C., strip center, which will bring its presence in Charlotte to 11 stores.

### Correction

In an article on the sale of two Bud's deep discount stores in the June 11 issue, *Drug Store News* erroneously reported that Melville Corp. was among the retail companies that had backed away from the deep discount field. Freddy's, the deep discount chain, continues to be part of the Melville retail empire.

## OPINION

# CVS & Peoples: A solid pairing

IN THE MARKET
**BRUCE BUCKLEY**

After a year of relatively slow takeover activity, the pace has picked up smartly. And that's putting it mildly. The selloff of most of Revco's more than 700-plus available stores to a variety of buyers was big news, but not all that surprising. The sale of Peoples was.

Revco's trip to the "retail spa" to slim down was a logical move that's been made by other overweight and out-of-shape retailers. Peoples, on the other hand, seemed to have already emerged successfully from its total remake. Profits have been steadily rising. Six-month performance figures promise to be very strong.

So why did Imasco, the Canadian company that agonized through Peoples' lowest periods, decide to sell just as the repositioning efforts undertaken by David Bloom and David Eisenberg really began to click?

The answer involves a combination of factors. First, as successful as Peoples might become, its scale did not seem to Imasco to promise the long-term return that the Canadian holding company seeks in its properties. Second, the $390 million (Canadian) sale price will help reduce debt and interest expense and thus provide an immediate shot to Imasco's bottom line.

Third, like a father looking for a prospective husband for his daughter, Imasco was committed to finding a strong suitor for Peoples. It could not have chosen a better one than CVS. Geographically, the match seems to have been made in heaven. CVS is also widely acknowledged as one of the best operators in the business. Like Peoples, it has a strong focus on pharmacy and core front-end categories. Peoples can only benefit from CVS's operational strengths. As David Bloom put it: "It's a case of a successful company joining an even more successful company." As important as Peoples' locational strengths are, Bloom felt the chain's "people strengths" — the management team headed by Eisenberg—was even more important.

Harvey Rosenthal, CVS' ceo, was characteristically cautious in answering questions about Peoples' future. His caution reflected, he said, his company's "conservative, analytical and very thoughtful" approach to decision-making. Rosenthal said he had made no prejudgments. He said CVS needed time to get to know Peoples and its management.

However, he did say that CVS intended to retain the Peoples name because the chain's more than 80 years in the D.C. market was reflected in "high consumer awareness and favorable reaction." And he said the acquisition would provide more opportunities for future growth along the eastern seaboard as far south as Virginia. "As you know, CVS likes to grow," he said.

* * *

By the time you have received this issue, the first edition of *Drug Store News JOBFAX* will have been sent to hundreds of retail and manufacturer executives via facsimile transmission. The purpose of this item is to remind people seeking executive headquarters jobs that the free and confidential service will continue, with faxes sent out every two weeks. To place your blind want ad, send a short description of your qualifications (no more than 75 words) to *Drug Store News*, Confidential Box 100, 425 Park Ave., New York, NY 10022. We'll print it and supply a blind box number. Executives interested in knowing more about your qualifications will be able to write to the box number. We'll send their letters unopened to the job candidates.

So keep the entries coming.

# At last, Rx cost containment on right track

WASHINGTON PERSPECTIVE
**KEN RANKIN**

After years of bickering, back-biting and skirmishing, Congressional critics of the pharmaceutical industry finally appear to have the nation's brand-name drug manufacturers in a hammerlock.

Finally, Congress has stumbled across a way to focus Medicaid drug program cost-containment efforts where they belong: on the manufacturers who have been raising prices to pharmacists, consumers and taxpayers at triple the nation's general inflation rate.

This new approach marks a radical departure from the way Medicaid has dealt with cost pressures in the past. For the last 25 years, when state or Federal drug program officials have felt the budget squeeze they have tightened the noose on pharmacy reimbursement.

If enacted, Sen. David Pryor's (D-Ark.) "Pharmaceutical Access and Prudent Purchasing Act" (PAPPA) would inject a healthy dose of competition into the Medicaid drug market by requiring brand-name pharmaceutical manufacturers to bid for Medicaid business.

Specifically, it would encourage state Medicaid agencies to begin price negotiations with pharmaceutical manufacturers by the beginning of 1993. Among other things, state officials would have the flexibility to establish restrictive formularies and to demand that manufacturers charge Medicaid no more than the lowest price paid by hospitals or other institutions.

State drug programs would realize their savings via periodic rebates from manufacturers, reflecting the difference between the supplier's normal selling price and the negotiated price.

To safeguard the medication rights of the indigent, PAPPA would allow prescribers to demand that any "medically necessary" drug be dispensed to a patient, even if the prescribed product is not on the state's formulary.

To protect pharmacists from unjustified reimbursement cuts by state Medicaid programs, the legislation would require that participating pharmacies be paid a "market-based price" (capped at the 90th percentile of all providers).

Drug store industry groups regard such reimbursement reforms to be a major step forward for patients as well as for pharmacists. Indeed, NACDS contends that the reimbursement scheme envisioned by PAPPA would enable "today's highly trained pharmacists to spend time with customers, so they can use their skills to identify costly and life-threatening adverse drug reactions, and to seek the advice of a physician familiar with the patient's total care needs."

Not surprisingly, Sen. Pryor's bill is less popular across town at the Pharmaceutical Manufacturers Association. PMA, which represents the brand name drug industry, has pulled out all the stops in an effort to scuttle PAPPA. Part of PMA's anti-PAPPA campaign includes an industry-financed "study" of the legislation suggesting that Pryor's scheme to trim Medicaid drug spending could cost more than it saves.

Among other things, researchers for PMA contend that provisions of the legislation relaxing reimbursement restraints on pharmacists may at least partially offset any savings resulting from lower priced drugs.

To my way of thinking, that's hardly a flaw in the legislation! For decades pharmacists have been on the short end of the Medicaid reimbursement stick, while manufacturers have been free to raise product prices at will. It seems altogether fitting for PAPPA to earmark part of the cost savings from manufacturer price competition for improved pharmacy reimbursement.

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**SPECIAL SAMI REPORT**

# Drug store movement of PL H&BAs highly seasonal

**Seasonality or growth trends of private label health and beauty aids in drug stores**

(Unit basis for year ending March 23, 1990)

| 52 Week Private Label Share of Units | Category | 21-Apr 1989 | 19-May 1989 | 16-Jun 1989 | 14-Jul 1989 | 11-Aug 1989 | 8-Sep 1989 | 6-Oct 1989 | 3-Nov 1989 | 1-Dec 1989 | 29-Dec 1989 | 26-Jan 1990 | 23-Feb 1990 | 23-Mar 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 82.8% | **Misc. Proprietary Remedies** | 104 | 94 | 102 | 113 | 112 | 104 | 105 | 101 | 85 | 84 | 92 | 106 | 99 |
| 47.7 | **Clinical Thermometers** | 79 | 72 | 61 | 59 | 73 | 83 | 134 | 127 | 102 | 110 | 163 | 140 | 103 |
| 44.9 | **Natural Vitamins, Minerals, SPR.** | 97 | 118 | 97 | 88 | 107 | 102 | 110 | 100 | 89 | 98 | 109 | 97 | 89 |
| 41.1 | **First Aid Antiseptics** | 101 | 99 | 107 | 127 | 123 | 96 | 99 | 85 | 83 | 90 | 101 | 100 | 90 |
| 38.3 | **Synthetic Vitamins** | 91 | 107 | 88 | 82 | 106 | 99 | 112 | 91 | 88 | 105 | 123 | 109 | 100 |
| 31.8 | **First Aid Products** | 112 | 109 | 93 | 102 | 97 | 102 | 104 | 83 | 79 | 102 | 104 | 112 | 102 |
| 26.6 | **Baby Powders** | 97 | 116 | 102 | 110 | 113 | 118 | 91 | 84 | 82 | 71 | 97 | 107 | 103 |
| 26.0 | **Baby Oils, Cream & Lotions** | 111 | 154 | 104 | 104 | 87 | 96 | 81 | 77 | 78 | 93 | 110 | 101 | 100 |
| 23.2 | **Laxatives & Stool Softeners** | 94 | 97 | 99 | 94 | 93 | 101 | 106 | 103 | 95 | 100 | 108 | 109 | 102 |
| 22.7 | **Internal Analgesics** | 105 | 102 | 96 | 87 | 89 | 108 | 97 | 99 | 91 | 114 | 115 | 104 | 94 |
| 20.8 | **Sleeping Aids** | 103 | 114 | 85 | 87 | 100 | 99 | 100 | 101 | 95 | 92 | 101 | 106 | 117 |
| 20.6 | **Toothbrushes** | 77 | 78 | 69 | 85 | 121 | 97 | 135 | 74 | 138 | 96 | 93 | 130 | 106 |
| 20.2 | **Cold Remedies** | 103 | 95 | 81 | 74 | 70 | 86 | 123 | 120 | 109 | 120 | 122 | 98 | 97 |
| 19.2 | **Dental Aids** | 84 | 99 | 86 | 93 | 120 | 110 | 96 | 88 | 82 | 107 | 113 | 111 | 111 |
| 17.8 | **Nasal Spray-Drop-Inhaler** | 89 | 88 | 80 | 77 | 143 | 80 | 94 | 101 | 92 | 169 | 113 | 90 | 84 |
| 17.2 | **Denture Cleaners** | 67 | 107 | 131 | 120 | 75 | 112 | 115 | 84 | 75 | 88 | 120 | 105 | 100 |
| 16.5 | **Suntan Lotion-Suntan Oil** | 247 | 183 | 171 | 133 | 60 | 24 | 14 | 13 | 11 | 9 | 23 | 153 | 258 |
| 16.4 | **Mouthwash** | 95 | 100 | 83 | 124 | 117 | 117 | 106 | 75 | 72 | 81 | 130 | 118 | 83 |
| 16.0 | **Cough Remedies** | 103 | 95 | 81 | 74 | 70 | 86 | 123 | 120 | 109 | 120 | 122 | 98 | 97 |
| 15.3 | **Feminine Douches/Washes/Powders** | 107 | 100 | 88 | 83 | 104 | 131 | 123 | 81 | 84 | 88 | 101 | 126 | 84 |
| 14.6 | **Personal Lubricants** | 89 | 122 | 69 | 91 | 75 | 62 | 111 | 107 | 149 | 111 | 111 | 109 | 98 |
| 11.7 | **Razor Blades** | 91 | 103 | 98 | 98 | 96 | 98 | 110 | 95 | 90 | 117 | 107 | 92 | 106 |

Source: Arbitron/SAMI

PRODUCT TRACKING

**ALAN MILLER**

Private label products in 57 health and beauty aid categories in drug stores accounted for 354.5 million units, or 13.5 percent of total unit volume, in the year ended March 23, 1990. On a dollar basis, price brands accounted for $785 million, or 9.3 percent of sales in the H&BA categories tracked by Arbitron/SAMI.

Their share in drug stores is just about double the levels in food stores. Private label penetration varies widely by category—from a high of 82.8 percent of unit volume in miscellaneous proprietary remedies, to home testing kits and hair care, where there is little activity.

Private labels account for more than four out of 10 units in clinical thermometers, antiseptics and natural vitamins, minerals and supplements.

Private label unit sales do not always peak and wane with categories as a whole because important new product introductions can siphon away consumer interest in store brands. In razor blades, for example, in the four weeks ended Dec. 29, 1989, private labels held a 14.5-percent unit share. However, during the 4 weeks ending Jan. 26, 1990, when Gillette's new Sensor razors and blades made their debut, the share for private labels fell to 10.9 percent.

In baby powders, private labels account for 26.6 percent of annual unit volume in drug stores. The highest four-week period ended Sept. 8, 1989, at 118; the low, 71, occurred during the final period of the year. The pattern for the other important baby needs category—baby oils, creams and lotions—was rather different. During the May 19 period, the index for private labels was 154, by far the highest during the 52-week span, and the low was 77 during the period ended Nov. 3.

In first aid, which includes bandages, cotton swabs and adhesive tape, there are no sharp or sustained peaks for private labels.

As might be expected, the private label movement peaks in cold and cough remedies follow the traditional cold season patterns. December and January are the best months for these items, which are weaker in the summer. One aberration noted in 1989 was sudden peak of 143 for nasal sprays, drops and inhalers during the four weeks ended Aug. 11, 1989. This was a period in which the levels for other cold remedies included 70 for cold remedies, 38 for chest rubs and 67 for cough remedies.

The private label movement indices in the synthetic and natural vitamins categories generally follow similar patterns without any spectacular peaks.

It should be noted that the tables show what is called seasonality or growth trends. In some instances, sudden changes in seasonal trending are caused either by important new product activities, strong promotional surges or unusual weather conditions during the year.

Arbitron/SAMI has just published comprehensive studies of private label shares in both food and drug stores. Anyone interested in securing these reports is invited to contact Celeste Monte, director of corporate development, Arbitron/SAMI, 41 E. 42nd St., Suite 1015, New York, N.Y. 10017.

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# TRENDS

## Better selection, displays help chains run with hosiery

By upgrading selections and displays, drug stores clearly now have a leg up on department stores in hosiery sales. Mainstream, conservative styles and color variety are attracting today's practical and fashion-spun hosiery consumers, retailers and manufacturers told *Drug Store News*.

Women in the workplace who value their shopping convenience are a big part of the shift towards drug stores. "Pantyhose are part of the uniform," said Bill Murray, director of sales and marketing for Rice Hosiery. "Most women now work and wear pantyhose that are more of a mainstream style for the workplace."

Women are also viewing hosiery purchases differently. "Overall, women are looking at hosiery as a fashion accessory to help coordinate their outfits," said Mary Gilbert, a L'eggs spokesperson. "That's a very fashion-conscious consumer out there, and it's relatively inexpensive and appropriate to update the wardrobe with different colors and textures."

Prices tend to be stable, ranging from $1.99 for private labels to $4.79 for higher-grade lines, yet drug store consumers no longer hesitate to buy more expensive hosiery. Drug stores have an opportunity to trade-up consumers in this category of frequent replenishment.

"Drug stores today are catering to the higher-priced range of hosiery," said a buyer at a Northeastern chain. "Women are interested in quality, and so they will buy them even if they're more expensive."

### Colors attract sales

Colors are hot in the current market, as retailers scurry to promote their summer color lines. "Color really does well, especially during the spring, early summer and fall times," Kathy Johannes, a buyer for Kerr Drug Stores, told *Drug Store News*. "We really do a lot of promotions and advertising during this time. We're starting to really get aggressive with marketing and advertising (by adding hosiery in more circulars) because chains such as Drug Emporium and Phar-Mor are dropping prices and we're trying to meet the competition."

Color trends are changing, however, said Jean Anne Hamm of Town & Country Drug Stores in Texas. "Customers are looking for something other than the nude or suntan lines," she said. Toni Markham, of Crown Drugs, agrees: "We're seeing a lot more promotional displays for pink and violets during the summer months. These colors are a good sale even in the winter months."

This shift toward the "non-browns" has only occurred during the last two years, said Brad Worthley, executive vp of Volt, USA. "Brown or suntan used to be the basic color," he said. "Now, the first thing people are out of are the black

*Continued on page 14*

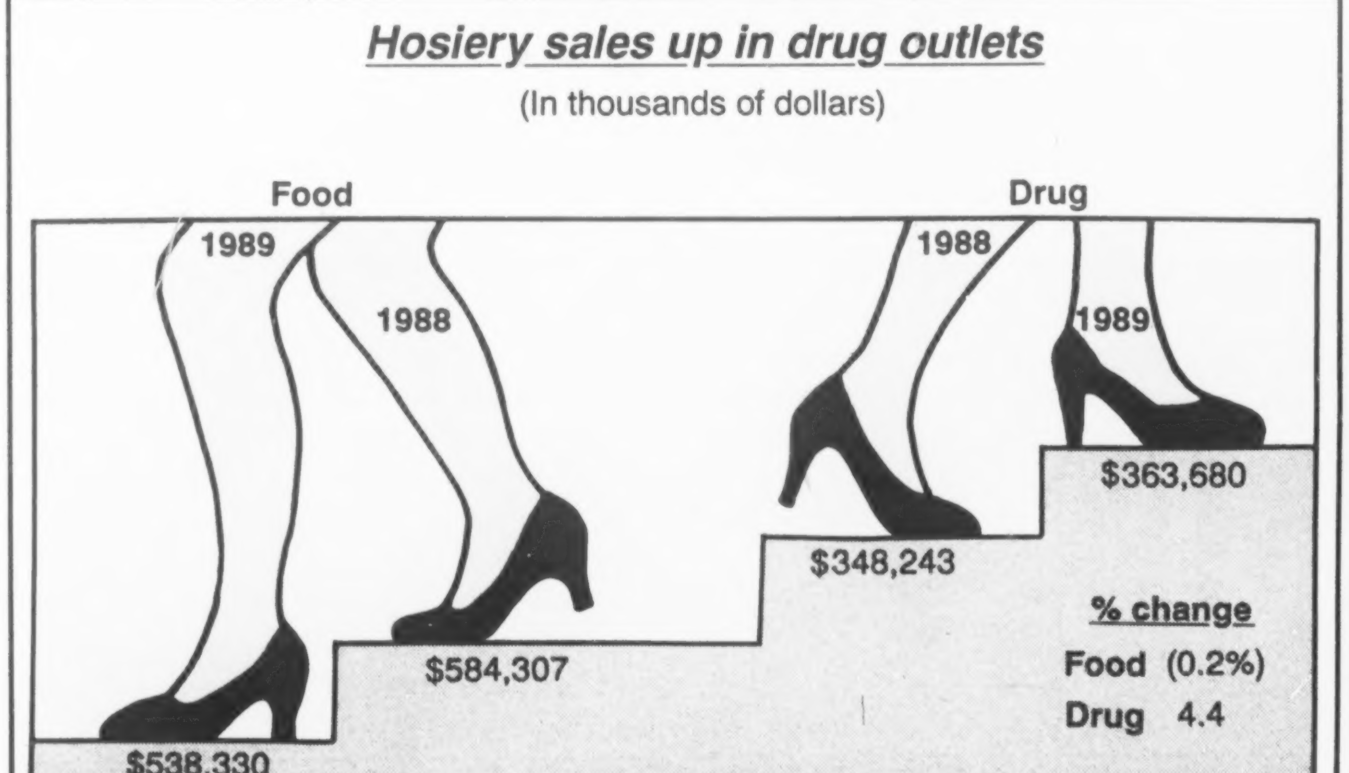
### *New products geared toward older customers*

As the population ages, new products are arriving on the scene to accommodate these older consumers. Sid Brodkin, president of Bubby Hosiery (Bubby meaning grandmother in Yiddish) has created a stocking marketed to the older woman, who is concerned about keeping her legs warm.

"Pharmacists will tell you about the demographics; they're getting more older consumers in their stores," Brodkin said. "I started doing research and found that the industry wasn't doing anything for the older mature woman. The drug store market was a natural adjunct for our product."

The stocking is a natural cotton fiber in soft beige with a one-size-fits-all merchandising technique.

**Walgreens displays hosiery between the front-end and service cosmetics counter, where shoppers can readily see the selections, browse easily and also get recommendations.**



*Hosiery sales up in drug outlets*

(In thousands of dollars)

Source: Nielsen Marketing Research

## *Chains heed customer demand with greater ethnic selection*

Ethnic shoppers are finding better selections in the drug store market, as manufacturers and retailers heed their demand for products to meet their specific needs.

"Our ethnic stores have some of the highest volumes of any of our stores, and when these customers tell me they want a product, I listen," said Kathy Johannes, buyer for Kerr Drug Stores.

> *'Our ethnic stores have some of the highest volumes . . . and when these customers tell me they want a product, I listen.'*
> **—Kathy Johannes, Kerr**

Vendors such as Rice Hosiery are also listening, coming out with products geared strictly toward the ethnic consumer. Bill Murray, Rice's director of sales and marketing, said pinpoint distribution practices will help win over this market niche. "It's a question of putting the correct product in front of the correct consumer in the correct store," he said.

Murray uses U.S. Census data to target prime areas for merchandising his Afro-tique and Brown Sugar lines, which differ from mass market products in three ways. "Our products are much sheerer than the mainstream," he said. "A dark-skinned consumer wants that skin tone to show through. Our consumers' calves and ankles are generally thinner and their thighs and hips are wider—this calls for double-graduated products that get smaller above the knee, and also at the calf."

Murrary also emphasizes that African-American and Hispanic women are looking for different colors, not the basic suntan color that accounts for about 60 percent of a mainstream line's sales. He stated that his customers prefer off-black, coffee, jet brown and white.

**At Drug Emporium, Orlando, hosiery plays a big role in store's fashion statement. Shoppers are stopped by fabric swatches on Volt displays, which add appeal to complete in-line offerings of other brands.**